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EDITORIAL

As We See It

Inevitable postwar and postboom pressures are giving rise to a "merger movement" which from all appearances is beginning to worry the politicians considerably. The "trusts" of the late 19th century, and the indignation aroused when some of their tactics were later revealed, long ago endowed this subject of monopoly with a deep and abiding political interest. With the number of spectacular mergers either already effected or reputedly on the way, it could be taken for granted that once more the old familiar trust busting cry would resound through the political world. It is hardly surprising, therefore, that word comes from Washington that the Administration is taking an active if not always friendly interest in what is going on.

We can only hope that the powers that be will take a new look at many of these old, old questions of size and the like and relate them to the situation which now exists. It must be said at the very outset that there is a note of unreality in talk about lack of competition in the motor or the steel industry at the present time or even in the event of the consummation of mergers now planned. And since so many of these giants are now spreading their operations throughout the economy, more often than not in direct competition with one another, very much the same is to be said about most of the other industries.

But, however that may be, there are certain factors present now which must be carefully considered when this subject of what the economist is fond of calling oligopoly is being studied or reviewed. Most of these factors are of rela-

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Outlook for Business And Agriculture

By DON PAARLBERG*
Assistant to the Secretary of Agriculture

After reviewing the general economic situation, which "for the first time in history, witnessed the transition from war to peace without major deflation," U. S. Agriculture Department official lists "the kit of tools" available for continuous economic stabilization. Says an effective use of these tools should give no fear of deflation such as occurred in the 1930's. Reveals proposed adjustments in agriculture concerning: (1) structure of prices and costs; (2) production potential; and (3) particular commodity problems. Calls for non-cyclical planning.

I shall endeavor first to interpret the present general economic situation. Then I shall enumerate the safeguards which may be used in an effort to maintain an overall level of economic activity at reasonably satisfactory levels. Finally, I shall describe the adjustments which are presently taking place within agriculture, as well as those which are in prospect.

Don Paarlberg

The nation has hopes of making, for the first time in history, the transition from war to peace without major deflation. It is true that the peace is an uneasy one and that the transition is not yet fully accomplished. The past 12 months have seen some softness in certain sectors of the economy, and the economic visibility, as always, is low.

But it is also true that with World War II now nine years past and with Korea more than a year behind us, the general price level is still on a fairly high plateau. Investment is still high, construction activity is at record levels, and the percentage of the population which is employed is still above its peacetime norm.

Sharp deflation followed the Revolution, the War of

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*Address by Mr. Paarlberg at the Sixth Annual Bankers Agricultural Credit Conference, Gainesville, Florida, Sept. 30, 1954.

The Outlook for Private Foreign Investment

By HON. GEORGE M. HUMPHREY*
Secretary of the Treasury

Noting improved international financial conditions resulting in major shift in our balance of payments, Treasury Secretary calls attention to the fact there is nevertheless a scarcity of overseas investment capital and pressing demand for development funds. Explains private investment is not made for philanthropic reasons, and requires assured security, right of ready repatriation, and worthwhile profit opportunity. Stresses need for stimulating tax consideration.

I have been asked to discuss some of the problems which face the private investor in a relatively young capital-exporting country. This does not mean I am unaware that there are two sides to this question, but merely that I am sure my colleagues from such countries as India and Brazil can present the picture as it appears to the capital-importing countries much better than I.

George M. Humphrey

Before discussing the obstacles which confront the investor, I should like to say a few words about the improvements we have been witnessing abroad, and the very substantial accomplishments private investment is making despite the difficulties which still exist in some areas.

As has been said before at this conference, confidence has been increasing. Currencies have grown stronger as reserves have increased. There has been progress in removing quantitative restrictions on trade. Payments in many of the world's currencies are becoming freer as govern-

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*Transcript of remarks by Secretary Humphrey at informal panel discussion at the Ninth Annual Meeting of the Board of Governors of the International Bank for Reconstruction and Development, Washington, D. C., Sept. 28, 1954.

OVER-THE-COUNTER STOCKS ISSUE ON OCT. 21—The "Chronicle" of Oct. 21 will contain a tabulation of stocks available only in the Over-The-Counter Market which have paid consecutive cash dividends from 5 to 170 years.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

GEORGE E. BARTLETT

Partner, Thomson & McKinnon, New York City

Members, New York Stock Exchange

Chance Vought Aircraft

While aircraft manufacturing shares are generally regarded as vehicles for capital gains, and rarely as investments, Chance Vought Aircraft combines both these aspects. Were the dove of peace to alight on a secure perch, the preceding statement might have an unsound foundation, but as it is, the chances are strong that naval air power will be considerably augmented rather than dininished in future years. And that is why Chance Vought offers not only the opportunity for profits from rising prices, but a strong probability of substantial income for an indefinite period ahead.

George E. Bartlett

To followers of the aircraft stocks, the name of Chance Vought is almost synonymous with U. S. Navy fighters and training planes. The reason it has not hitherto impressed itself as strongly as have other companies in the minds of investors is that from 1929 to the end of 1953, the company was first a subsidiary and then a division of United Aircraft Corporation. Naturally, it was somewhat submerged in the parent, a fact recognized by United Aircraft when, in 1953, it was decided that, as of Jan. 1, 1954, Chance Vought would begin business as a wholly-owned subsidiary. Then on July 1, 1954, its shares were distributed to stockholders of United Aircraft in the ratio of one share for every three shares held.

Few companies have come into public hands with so auspicious a start as Chance Vought. It has exceptionally capable management. Most of the operating officers received their training in that remarkable school — United Aircraft. It has the accumulated "know-how," gained since 1917 when Chance M. Vought and Birdseye B. Lewis formed the original company "to make United States airmen the best-equipped in the world." At the end of June, 1954, its backlog of orders was nearly $300,000,000. Its plant in Dallas, Texas, (the Naval Industrial Reserve Aircraft plant) leased from the U. S. Government, is unusually well situated, and so is its engineering department in Boston. It employs some 13,500 persons. One out of every eight employees is a college trained, "direct" engineer, with the total number employed in the engineering departments of 2,400, or nearly 18% of the payroll. Chance Vought was reborn, also, in sturdy financial condition; it had cash of $10.5 million, current liabilities of $15.6 million, and current assets of $29.1 million on March 31, 1954.

Capitalization consists of 1,079,619 shares of common stock, of $1 par value. The company has no funded debt and no outstanding preferred stock. Dividends were inaugurated with the declaration on Aug. 26 last of a payment of 40 cents a share. There is a good chance that a year-end extra will be paid.

Because it has been since 1935, a division of United Aircraft, the vital statistics of the company prior to the current year are sketchy. Of course, comparisons would serve no really practical end, because it is one thing to be one one's own and quite another to be a division of a flourishing company. Suffice it is to say that, from such figures as are available, sales increased from $49.1 million in 1951 to $129.5 million in 1953 and that in the first six months of 1954, sales were $77.6 million, and earnings $2.98 a share. With a commendable sense of economy, neither Chance Vought nor United Aircraft felt it desirable to spend the money it would cost to prepare pro forma data to satisfy the statisticians' and competitors' curiosity.

The company has made two quarterly reports this year, both of them quite pleasant reading. In the first quarter, earnings of $1.20 a share were reported from sales of $35.3 million. In the second quarter, sales rose to $42.3 million, and earnings were reported at $1.78 a share. There is a better than even chance that third and fourth quarter reports will top first half performance because the company had some difficulty in the early part of the year in obtaining engines for the fuselages it had manufactured, but was compelled to store. The engines are now coming through freely, resulting in stimulated deliveries.

For those who want a description of the Chance Vought products despite their highly technical nature, it may be said that all its products are now jet propelled. Production of the "Corsair" type of propeller-driven aircraft ended in 1953. The "Cutlass," a twin jet Navy fighter is now being built and delivered in quantity; it is in the more than 650 m.p.h. class. A type of the "Cutlass," designed for attack should be going into production shortly. The company also makes for the Navy the "Regulus" guided missile, in various types, one of them being equiped with landing gear to permit recovery. In development, the company last year won an industry-wide design competition for a high performance day fighter desired by the Navy, details of which have not yet been released. Other development projects, both in jet aircraft and guided missiles, cannot be described because of security regulations. Behind it all is the heavy emphasis the company has placed on research and experimentation ever since its inception.

Previously, reference was made to the fact that one out of every eight employees is a direct engineer, the equipment supplied is among the best in the industry, complete with "mechanical brain," and with a million dollar wind tunnel under construction. This teaming of good men with the best in equipment has "paid off" liberally in the past, and will undoubtedly do so even more in the future.

One question, however, arises frequently. It is this: If Chance Vought is so good, why did United Aircraft give it up? The answer is simple and was given by none other than H. M. Horner, President of United Aircraft. He said in effect that, as a division of the parent company, Chance Vought was overshadowed; if freed, its decisions, policies and results would be its own. Moreover, Chance Vought was also a subcontractor, serving the aircraft industry; if independent its competitive position would be greatly improved.

Finally, the separation of Chance Vought from its erstwhile parent had the full sanction of the U. S. Navy authorities, necessary because of the large Navy contracts that had been awarded to Chance Vought. The latter factor is of major importance because it clearly indicates the confidence existing with in the Navy and the close ties between it and the company.

To Summarize: Chance Vought is a firmly entrenched, thoroughly experienced, strongly financed company, with keenest appreciation of the need for up-to-the-minute scientific and engineering information to retain its position. Moreover, it has the contracts, in hand and prospective, to assure large earning power in relation to current prices of the stock, highly competent management, and efficient plant and research facilities. This is a combination which spells out industrial strenght and a prosperous career.

Selling in the low 30s, the stock which is listed on the New York Stock Exchange, is some six points below the high reached a few weeks ago. The price-earnings ratio is low, and making due allowance for the fact that stock is still unseasoned, compares favorably with aircraft shares in general. The capitalization is not large and much of the stock is held for long-term investment. The chances for substantial price appreciation are excellent, and a quite satisfactory return is offered.

HENRY J. LOW

Manager, Research Department, Bruns, Nordeman & Co., N. Y. City

Members, New York Stock Exchange

National Distillers Products Corporation

NATIONAL DISTILLERS PRODUCTS CORPORATION, third largest domestic liquor producer and distributor, owns and operates thirteen whiskey distilleries with a combined daily capacity of 207,000 barrels. Among its well known brands are "Old Grand-Dad," "Old Taylor" and "Old Crow," bottled-in-bond Kentucky Bourbon whiskies; "Old Overholt," and "Mount Vernon," bottled-in-bond rye whiskies; "Bellows" whiskies and "Gilbey's" gins.

Henry J. Low

Price reductions of National Distillers' leading brands, "Old Grand-Dad," "Old Taylor," "Old Overholt" and "Mount Vernon" in 1953 aided in improving the company's inventory and marketing position. In September 1953 an 86-proof "Old Crow" straight Kentucky Bourbon whiskey to retail at approximately $5 per fifth New York State prices was introduced as a companion to the higher priced 100-proof bottled-in-bond "Old Crow." Sales of the new popularly priced straight

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Federal Reserve Policy Since 1953

By M. S. SZYMCZAK*

Member, Board of Governors, Federal Reserve System

Federal Reserve Board member, ci ing the continuous need to adjust policies to changing situations in our cyclical economy, reveals actions and policy decisions of the Federal Reserve in combating deflationary trends which began in 1953, i. e.: (1) reduction in reserve requirements; (2) renewed purchases by Open Market Committee; (3) reduction in discount rate; and (4) expansion in the money supply. Points out difficulties in appraising recent credit and monetary actions.

The record-making performance of the economic area in which you have a particular interest, real estate and building, has done much to change the course of the economy from decline to over-all stability in the last six months or so. Without in any way minimizing the earlier decline, or suggesting that stability at the present level is good enough, it is possible to say that the ability which our economy has shown in recent months to adjust to and moderate forces of change should give us great hope for the economic future of our nation.

M. S. Szymczak

In a cyclical economy like ours, however, the need to adjust to changing situations is a continuing one, and our ability to make the necessary adjustments is always being tested. One of the important instruments for achieving sustainable economic growth over the years with a minimum of fluctuation, and one which has been significant in the recent short-term readjustment, is monetary and credit policy. I am sure you are all aware of the influence such policy has had and will probably continue to have on mortgage markets. In my remarks today I should like to review with you, if you don't mind, recent Federal Reserve policy in the monetary and credit area and attempt a tentative evaluation of its influence and effectiveness, as dispassionately and as objectively as I know how. I hope my effort won't bore you too much. Please try to stay with me. If you can't, I'll not hold it against you. It has none of the warm oratorical appeal, to say the least.

Evidence of Effectiveness of Federal Reserve Policy

Part of the effectiveness of Federal Reserve policy is the facility with which it can be adapted to changing circumstances, as is evidenced by the events of the past couple of years. During late 1952 and early 1953, inventories were rising, capital outlays were being made on a large scale, and rising speculative interest was being manifested in many markets. These developments constituted a threat to our objectives of long-term stability and growth. Accordingly, Federal Reserve policy was directed toward exercising restraint upon inflationary developments as well as keeping the supply of credit and money adjusted to the needs of a growing economy. In practice, this meant permitting some expansion in bank credit and the money supply, but limiting the degree of expansion in view of the large excess of demand for credit over the available supply of savings. The credit machine was neither stopped nor thrown into reverse. It was simply held within a speed limit determined by considerations of safety, including the crowded condition of the highway at the time.

In so far as savings provided banks with the necessary reserves, they could expand loans freely. In so far as the banks had to sell securities to the Federal Reserve or borrow from it to obtain the necessary additional reserves, the story was different. To prevent unlimited expansion of bank credit, the Federal Reserve refrained from open market purchases that would have supplied the necessary reserves. Member banks still had the privilege of borrowing from their Reserve Banks, of course. But as the monthly average of their borrowings mounted in late 1952 and early 1953 to a range of $1 to $1½ billion, the discount rate was increased from 1¾ to 2%. The traditional reluctance of banks to borrow was fortified by the higher rate. Their resort to this method of temporary acquisition of additional reserves consequently was lessened. So was their extension of credit.

These developments on the side of credit supply seemed to do no more to diminish credit demand than storm warnings did to diminish the force of the hurricane that recently struck New England. The rise of interest rates under this pressure seemed in itself to impel borrowers to rush into the market seeking to cover future financing requirements before the cost rose further.

You will recall, I am sure, some of the incidents of that period: the breaking under par by the new 3¼% long-term Treasury bond, and the sharp reaction that followed in the price of seasoned issues of corporate and municipal securities; the increasing difficulty of getting new mortgage commitments, the increasing availability of outstanding mortgages at rather large discounts, and the issuance of regulations

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*An address by Governor Szymczak before the 41st Annual Convention of the National Mortgage Bankers Association, Chicago, Ill., Sept. 27, 1954.

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Vision at Blind River

By IRA U. COBLEIGH

Enterprise Economist

A radioactive snapshot of Canadian uranium exploration and production in general, and the dramatic developments at Blind River in particular.

What with all the churning of uranium shares on the five and dime market in Salt Lake City, and the swift and almost daily Rocky Mountain transitions from prospector to prospectus, converting the giddy clackings of a Geiger counter into a hopeful sheave of corporate certificates, one would almost think that uranium was found nowhere else save in this Colorado Plateau. Actually that's far from the case. Uranium is found all over the world; the only problem being that the ore is usually of such poor grade that it costs too much to mine, mill and transport it, even at the fancy prices now offered by our Atomic Commission.

Ira U. Cobleigh

In reality, the largest actual production of uranium today is in the Belgian Congo, but some of the experts have been predicting that Canada may, within five years, prove to be the number one source of this most awesome and fantastic mineral in history.

In the Colorado Plateau, the standard U-bearing ore is cornotite, a yellowish rock lurking in sedimentary geologic structures in so-called "pods" or pockets. Some of these, "hot pockets" they're called, assay very high in uranium oxide; but a number of the mineralized formations found have proved quite variable in ore quality, and somewhat unpredictable in depth and direction.

In Canada, however, the U3O8 is found principally in a different sort of ore—pitchblende—sometimes called uraninite. This mineral has been found all the way from British Columbia to outside Montreal, and the whole frantic search through thousands of square miles of moose pastures with scintillometer (and optimism) began back in 1930. At Great Bear Lake in the Northwest Territories, one Gilbert Labine, in that year, located a rich and extensive ore body, for Eldorado Gold Mines Ltd. Between 1930 and 1933, Eldorado stock went gaga, rising from a paltry 20c a share to $8. The demand for uranium flagged, however, the stock sagged back to a buck; and by 1940 the mine was closed—but not for too long.

In 1942, our scientists had figured out this new technique for military mayhem called the atom bomb and Canada became immediately the principal supplier of the basic fuel, uranium. Eldorado was opened up again (1942), and the Canadian Government in 1944 enforced a government monopoly for all uranium mining (till 1946), starting it off by purchasing all the Eldorado shares at $1.35 per share. In 1946, Eldorado hit again, this time with a rich pitchblende at Beaver Lodge near lisping Lake Athabasca, Saskatchewan. The government did all right with its Eldorado buy. For 1953, net per share was $12.43, total assets (at Dec. 31, 1953) were above $34 million, and the common, had it been available in the market, would surely have commanded a price of at least $60 a share. Quite a swing from $1.35!

The Eldorado success threw the speculative spotlight on Beaver Lodge, and, with private enterprise admitted to Canadian mining in 1946, a number of companies began to probe and develop this area. Largest and most sensationally successful of these is **Gunnar Mines, Ltd.**, which started its corporate life back in 1933 as Gunnar Gold Mines Ltd., but got its name bobbed to the above in March of 1954. By extensive drilling over some 780 acres at Beaver Lodge, Gunnar has now proved up ore bodies believed to be worth around $125 million at present uranium oxide prices. The definite location of such a large mineralized area has enabled Gunnar to contract with **Eldorado Mining and Refining Ltd.** (the official Dominion purchaser of uranium) for delivery between Oct. 1, 1955 and Oct. 1, 1960 of concentrates to a value of $79 million.

To finance production of that magnitude, Gunnar sold this summer $19,500,000 of sinking fund 5% debentures (with stock purchase warrants attached) and you are referred to prospectus dated July 19, 1954 for full financial details and outstanding share figures before, and assuming the exercise of, the warrants. This debenture issue was a milestone in U-mining finance, introducing for the first time a major issue of funded debt. Gunnar, as well as Nesbitt Labine, whose properties adjoin it, is the rather lengthened shadow of the same famous Gilbert Labine, who pioneered in Eldorado 24 years ago. Gunnar sells around $9.

Other Beaver Lodge issues you might care to look at would include **Rix Athabasca; Iso Uranium,** and **Larado Uranium.** All of these are, I believe, listed on the Toronto Exchange.

During the past 15 months, however, Canadian uranium interest has swung importantly Southeast down to the Blind River area of Ontario, on the northwest shore of Lake Huron. Here the ore is in a somewhat different formation, and uranium oxide appears in conglomerate beds similar to those found in South Africa. While the ore is not rich (running around or a bit below 0.20% uranium oxide per ton), large and unbroken ore veins have been located, making mass mining by machinery a highly probable and profitable operation.

If Mr. Labine was the moving spirit at Beaver Lodge, then give Joseph H. Hirshhorn top billing at Blind River, with an assist by Fanc R. Joubin, one of the most respected Dominion geologists. This team has had an important hand in the development of three properties in this popular area. The first is **Preston East Dome Mines,** a gold mine as far back as 1911, but a uranium mining outfit since 1953. Preston's own properties are interesting and promising and, in addition, it owns a 40% slice of **Algom Uranium Mines.** This equity is divided among 3,000,000 shares of Preston East Dome, currently quoted around $3.95.

Algom itself has been a dramatic performer this year, moving from a low of $3.25 to above $8. It has reported claims totaling 624 near four lakes in the Blind River area. Its claims at Quirk Lake are reported to include an ore ledge some seven miles in length. Generally the ore is believed to run around 0.18% per ton in U3O8. Algom has 2,550,007 shares outstanding (July 1, 1954), currently quoted at $8.80.

The third one we wanted to mention is **Pronto Uranium Mines Ltd.,** with 2,400,007 shares listed in Toronto and quoted currently at $5.10. As in Preston East Dome, the President is W. H. Bouck, with Messrs. Joubin and Hirshhorn on the board. By extensive diamond drilling, it is now believed that some 2 million tons of rather low grade ore have been located. Actual production of ore, and sale to the Dominion under an existing letter of intent, will have to wait till next year, and will probably require perhaps $5 or $6 million in financing. Pronto looks interesting.

These are the larger units at Blind River. There are a number of smaller ones, including **Uranium King,** you might wish to look up. The reliable geological structures here, the nearness to Canada Highway No. 17, the Canadian Pacific tracks and the St. Lawrence Waterway give considerable assurance that the area will be explored extensively; and that newly capitalized companies, created to develop ore here, may be expected to emerge.

Exploration to date suggests that there are now at least 55 million tons of uranium ore reserves on location in Canada, most of it suitable for mass mining; and there are those who believe that Canada may, in the long run, outdistance the Colorado Plateau as a major provider of the base fuel for the atomic age. In any event, the demand for uranium has no currently visible ceiling; with warranted and attractive prices virtually guaranteed by both U. S. and Canadian Atomic Commissions till into 1962. True, many small hopeful development companies with weak capital and poor management may never hit production on their own, and either expire or be merged. But some of the ones we've mentioned should become large and earning producers. And the present appeal is to speculators with sporting blood —not to investors.

The Discount House—A Problem For Department Stores

By FRED LAZARUS, JR.*

President, Federated Department Stores, Inc.

Prominent retailing executive, after reviewing general marketing conditions and the economic outlook, discusses the new problem to retail stores arising from the operation of the so-called discount houses, that sell branded merchandise below the list price. Warns manufacturers that department stores and other retailers, if not permitted to advertise and sell at same price as discount houses, will resort to sale of their own brands or concentrate on merchandise of producers that police prices. Says fair price laws are being ignored, sometimes with manufacturers' approval. Concludes economy is moving into a new retail climate.

Today it would seem that the much discussed recession is fairly well over.

The gross national product—the sum of all goods and services—dropped from the peak rate of $370 billion annually in the second quarter of 1953, to a present rate of $356 billion in the first and second quarters of 1954. This is a loss of only 4%. There has been no further drop since the beginning of this year, and the economy has now held this level for six months.

Fred Lazarus, Jr.

Our national government was very effective in helping to stop the decline. Tax, fiscal, and monetary policies have been skillfully handled. Money rates were eased and credit expanded. Personal and business taxes were lowered. Home building, road building and plant expansion have been encouraged. Social security has been extended. The Administration is certainly to be congratulated for its accomplishments in the economic field.

The courage of business, as well as of individuals, during this period has also been unusual, judging from past experience. Business continued to invest money in capital outlays to improve and expand operations. Individuals still saved, paid off their debts, and as soon as prices were attractive to them, continued to buy.

The present national product would be satisfactory if a static situation were acceptable. It is not.

In 1955, it is not nearly good enough to continue with the rate of 1954, or even the higher rate of 1953. Staying even on either level means dropping behind. We will be worse off than was the White Rabbit in Alice in Wonderland "who kept running and never got anywhere."

This is because we are adding over 2½ million more people to our population each year; of these, 700,000, or 1%, are added to the labor force. On top of this, productivity per man-hour has historically increased 2½% per year.

The result is a potential increase in our total production of at least 3½% per year. This is the ever-increasing objective to make and sell if we are to maintain and improve our standard of living.

In 1955, there should be a national product of $393 billion, and by 1960, it should reach $466 billion. After that we should still continue to gain. These figures reflect no change in the price level.

Such a growth could develop many things. It could mean enrichment of the cultural aspects of life, better education, more travel, wider knowledge of the Arts. It could mean greater physical comfort in new and renovated homes, additional labor-saving devices, increased transportation facilities, better roads, more automobiles, more airplanes. It could mean a larger output and distribution of food, and therefore better health.

A Remarkable Retailing Climate

The entire economy is moving into a remarkable retailing climate. As improvements in manufacturing tools and in techniques develop, workers will produce more. Therefore they can earn more, and can buy more.

There can be not only growth, but steady growth. We can proceed with confidence in the knowledge that there are now many stabilizing factors which lessen the possibility of periodic serious depressions.

Let's review these strengthening factors. We have a stronger banking system, a flexibility in management of credit and money by the government. Credit can be made expensive, or cheap, as needed. The recent tax revisions show how a reduction there can add to disposable income which, in turn, can offset a recession.

We have deposit insurance, farm support prices, minimum wages, old age benefits, unemployment insurance, increased private pensions, increased in-

*A talk by Mr. Lazarus at the Luncheon Session of the National Industrial Conference Board, New York City, Sept. 24, 1954.

dividual savings, and a broader distribution of income.

We have better and more informative economic statistics to guide us.

Beyond that, we find a greater awareness on the part of government, business and individuals of the steps need to avert a serious setback.

All of us are aware of the increase in middle-income families, their tremendous numerical growth, their needs, and the opportunities they have opened to business.

This further sharp increase in the number of family units in the $5,000-$7,500 group is forecast for the decade ahead. Many of those in the present $3,000-$5,000 group will have moved up to the $5,000-$7,500 class.

As families rise in the economic scale, their wants multiply. They shift their types of purchasing. When a family has a few extra dollars, a decision must be made as to where those dollars should be spent. Some want better food; some want additional labor-saving devices; some, different clothes, and more of them. Some will want to spend their extra money on an automobile; others want to spend it on travel. Wants will be expressed in many ways.

There is an opportunity for those marketers who will learn more about the wants of this growing middle and other income groups, whose current earnings are backed by tremendous savings.

At the end of last year, the total liquid savings of individuals was over $200 billion in cash, bank deposits and government securities alone. This did not include values of life insurance policies or corporate securities. These latter two types of assets would bring the total up well over $560 billion.

This total keeps mounting each year as savings continue. The part including cash, bank deposits and government bonds grew $7 billion last year.

All of this adds up to a balance sheet showing the growth possible for the economy in the years ahead.

We want to emphasize these opportunities and find out how to take full advantage of them. How are we going to develop them to the greatest possible extent?

These changed conditions under which people will live will necessitate new products as well as new and improved methods of selling.

Expanded Factories Furnish Retailing Supplies

Barring all-out war, the retailer has a bountiful source of supply in our expanded factories. He can have reasonably prompt delivery of customer-wanted goods if he is smart enough to anticipate what they are.

Retailing and marketing must improve tremendously to do their job in determining and filling the needs of this dynamic demand.

There will be need for increased consumer and market research.

Not long ago, at a businessmen's meeting, the head of a large manufacturing company confessed that his production research budget was in millions of dollars, and the consumer research budget in thousands. "Consumer research in our

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The State of Trade and Industry

Steel Production
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There was a moderate rise in total industrial production in the period ended on Wednesday of last week over that of the preceding week, indicating a substantial improvement as compared with last year.

According to the Labor Department both continued and initial claims for unemployment insurance benefits increased slightly in the latest weeks for which information is available. Although there has been no major change in the total number of claims, many workers have exhausted their benefits, have a shorter average work week, and have taken pay cuts. Kentucky and West Virginia report the largest share of their labor force out of work.

The past week's steel production was the highest in 14 weeks, 69% of capacity. While automobile producers have not ordered the quantities of steel expected during a period of model changes, construction and defense uses have recently been high. Of interest is the fact that the demand for ferroalloys has grown considerably in the past three weeks; such an increase usually precedes an improved market for most types of steel.

Supplies of copper were tight last week and many users drew on inventory reserves. Strike shutdowns in this country and Chile have reduced supplies to a low point. One major producer the past week went on a seven-day weekly production schedule to increase the available amounts of the metal, and the Government announced it will divert stockpile supplies to private industry during the shortage.

A spokesman for the Atomic Energy Commission stated a week ago that low-cost electric power from atomic generators should be a real y within five to ten years. Private industry was urged to speed research and development in this field.

The United States Department of Commerce reported last week that incoming business of manufacturing firms in August pushed ahead of the year-earlier level for the first time in 12 months. A spot check in key cities indicates the trend continued in September. New orders received in August expanded to $23,100,000,000, nearly 2% above August, 1953. In July, manufacturers' bookings were 9% less than in the like month last year.

Consumer debt for instalment purchases of autos, appliances and the like increased in August for the fifth straight month the Federal Reserve Bank states. Instalment credit outstanding rose to $21,300,000,000 or $64,000,000 above the July 31 level and $92,000,000 higher than a year ago. From April through August, the total increased $400,000,000, compared with a $900,000,000 decline in the March quarter.

The steel industry enters the fourth quarter with a business pick-up firmly established as a major industry trend, and mills expect continued improvement throughout the rest of this year, states "The Iron Age," national metalworking weekly, this week.

There has still been no sharp upsurge in automotive steel buying, but at least one large auto producer has boosted his orders for sheets. A Pittsburgh mill reports that both hot- and cold-rolled sheets look solid for the rest of the year. And Detroit mills boosted ingot output to 89% of rated capacity in anticipation of more active buying as model changeovers are completed, this trade weekly reports.

In the Midwest, producers are talking of a possible shortage of cold-rolled sheets later this quarter. Deliveries are now running six to seven weeks, opposed to four-five weeks a little while back.

Increase in steel buying is not confined to sheets. Galvanized sheets, manufacturers' wire, oil country goods and specialities like stainless and silicon steels are also brighter. But merchant wire and construction items are slackening seasonally.

The steel scrap market showed further strength as "The Iron Age" heavy melting steel scrap composite price rose $1.83 to $32 per gross ton, highest point this year.

Major impetus behind the scrap market's new strength is of course stepped-up steelmaking activity. But other important factors include depleted mill inventories, seasonal increase in

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Observations . . .

By A. WILFRED MAY

International Investment at the Crossroads

At last the foreign investment "problem" is rising beyond the confines of the talking stage (notably via the United Nations' interminable platitudinizing). However doubtful may be the prospects for major progress, current action at least will bring to a head the matter of international capital deficiency.

A. Wilfred May

From the stock market's viewpoint the prospects are additionally important because of the overhanging bearish threat bound up in potential post-relief deflation in foreign countries.

Waking up the investment world with a bang this week was the revelation of plans for a new multi-million dollar corporation under the aegis of the Chase Bank to finance the export of capital goods. To compensate for the credit shortage to satisfy the exporter demand for loans, the new institution will provide intermediate term export credits. It is reported from Washington that the new institution will get its capital partly from sale of its stock to Chase interests, with another part of the funds to come from the sale of unsecured short-term notes or debentures.

Seemingly this technique under private enterprise auspices will not at all further the evil of expanded subsidy credits to suppliers as cited last week by World Bank President Eugene R. Black.

Major Arrangement With India

A new unique corporation for financing private enterprise abroad, the India Development and Finance Corporation, is now in a climactic stage of formation and likely to come into operation before the end of the year.

Growing out of a recent visit to India by World Bank officials together with private investment banking interests, the new corporation will be financed by share capital purchased by:

(1) Private subscribers in India in the amount of $7 million.

(2) United Kingdom subscribers, private and/or governmental in the amount of $2 million.

(3) U. S. private interests for $1 million.

In addition to this $10 million total of share capital, there will be made available $15 million of FOA counterpart funds. Also, the International Bank has been discussing with the India group the possibility of that Institution extending a loan of $10 million after the corporation has been set up.

Finance Corporation Revived

Even the International Finance Corporation project, which has lain stuck for years, got a sizable push forward at the World

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Grounds for a Changed Federal Power Policy

By HAROLD QUINTON*
President, Edison Electric Institute
President, Southern California Edison Company

Contending present Federal power laws, enacted under influence of scheming professional proponents of nationally "socialized power," if continued, will force private capital to withdraw from the power field, prominent utility executive calls for statutory revisions which will give equitable treatment to private electric companies and to their customers. Lists six important correctives in Federal legislation, which will eliminate discrimination against privately operated power companies in competition with government projects.

As the subject of my talk may indicate, I will deal with the cold war of internal revolutionary forces with which America has had to contend during the past 20 years, and point up who really has the biggest stake and would therefore pay the greatest price if they are not stopped. Happily, however, there is much evidence that the tide has turned; that the people of America—the voters of both parties, and in all walks of life—have now had experience enough with the decadent political philosophies of the Old World and want to again resume their forward progress in the American way—which, with all it faults, is the best political and economic system yet known to man.

Harold Quinton

If the question had been asked some years ago, "Who would be hurt if the practice of medicine were nationally socialized in America and who would benefit?," the ready answer of most people who had not thought the question through would have been, "The doctors, of course, would be the ones hurt. The people would benefit." If at the same time the same question had been asked about the effect of nationally socializing the coal industry, the steel industry, the railroads, the electric industries, the questioner would have had substantially the same answer—"Those hurt would be Wall Street, the stockholders, the holders of bonds. Those benefited would be the people."

I have used the term, "nationally socialized," although those words are shunned by many, because piecemeal Federal ownership strongly tends to move to complete ownership of the means of production by the national state, swallowing up both free enterprise and local government ownership—and that is national Socialism. Local government ownership unaided and unhampered by the Federal government, in a country as large as America, can never become a threatening and powerful factor in the lives of people because capital and people can move away from it if they choose and thus hold it in check and prevent its domination or abuse of power if that should be attempted.

If the questions I have stated were asked today, they would not get the same answers. The majority of people would answer, "The American people who have been getting the best medical treatment in the world would be the losers. The doctors would not be seriously hurt, they would be relieved of the risks and struggles to gain and keep a good practice. Their practice and their income would be assured whether or not they worked hard with their patients. They could establish more comfortable hours of work to prevent their sleep and their plans from being disturbed. Yes, the people, not the doctors, would be the greatest losers. The more ambitious young men would not prepare themselves to be doctors, but would seek other fields. Furthermore, the fact would be appreciated that certain people in every community would abuse and monopolize medical attention and facilities, with the result that real-need cases would suffer from inability to get medical attention for days and weeks." Such would be the answer today.

Also, the majority of answers to questions today on nationalizing coal, steel, railroads, electric power and other basic industries, would likewise be that the American people and the workers for those industries would be the big losers.

If some years ago, at the same time the first questions had been asked, suppose it had also been proposed to nationalize farming and to nationalize labor. Such suggestions would have proven at once to be decidedly unpopular. The enslaving impact of nationalizing industries and professions was not so apparent, but the nationalization of farming and of labor would have made the whole socialist scheme all too apparent. The majority would have seen at once how destructive to the American way of life such a policy would be. They would have seen at once that freedom of choice, and personal liberty, would be unthinkably infringed upon by such changes in our laws. It is thus clear why the pattern here in the two preceding decades has been one, first, to control our basic industries. We know from history, ancient and present, that sooner or later the nationalizing of industries which has been resorted to by heads of nations in their determination to achieve their goals, or as a desperate resort to maintain their own power, have been followed by equally drastic nationalizing of farms and nationalizing of labor. Such latter measures, of course, have been put forward at a time when the popular voice had been silenced, or could be safely ignored—as it was increasingly silenced and ignored in our own land to a greater degree than was generally known over most of the preceding 20 years.

Public Opinion Swinging Away From Nationalization

A little later I will touch upon some of the principal reasons why the majority of opinion in America has now swung against nationalization of our basic industries. But first, let's look at some of the long-range effects which are sometimes overlooked, and which will begin to indicate the particular segment of our population which stands to lose the most if free enterprise is starved out or tied down.

When the government first goes into commercial business it can buy the equipment that has been developed and hire the engineers and managers who have been trained during many decades of the operation of the free enterprise system—and the quality of both the equipment and the manpower is unexcelled because both came from a system that gives rise to hopes of rich rewards, gives free rein to initiative and resourcefulness; that evokes struggles to achieve and that affords driving incentives to extra long and hard work by aspiring geniuses, inventors and developers of machinery, and of methods and of organization. When the government steps into the commercial business it has this rich storehouse to draw upon, one that it did not create or develop. Furthermore, the government has the rich tax resources that flow from generations of the practice of fruitful industry and of thrift. So long as the Federal government has but limited ownership and responsibility for operating industry, it can still draw upon the fruits of free enterprise and can continue to call upon the taxpayers to subsidize its operations and thus make a showing above its natural capacity to

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*An address by Mr. Quinton at the Indiana Electric Association Convention, French Lick, Ind., Oct. 6, 1954.

Continuing Role of the States In Securities Regulation

By RALPH H. DEMMLER*
Chairman, Securities and Exchange Commission

Mr. Demmler maintains dual system for regulating security sales, namely combining qualification standards of State laws with Federal disclosure provisions, is justified. Urges on State Administrators advisability of creating uniformity in such matters as examination of investment companies, broker-dealer registration, qualification provisions, and in forms.

I would like to discuss the separate roles of the states and of the Federal Government in the matter of securities regulation. The subject, of course, lends itself alike to platitudinous observations and to brisk and controversial discussion. I would like to be a little livelier than the former but to avoid the high blood pressure generated by the latter. I have chosen the subject not only because you happen to be state administrators and I a Federal Administrator, but because I am convinced that in order to do an effective job of administering the securities laws or any other laws, we must all keep reexamining our major premises or, putting it another way, keep asking ourselves: "Why do we do what we are doing?" We can't answer that question without looking at our jobs in their proper perspective.

Ralph H. Demmler

States the Pioneers

Now let me get a little more specific. The states were the pioneers in the regulation of the sale of securities. They took different approaches. Some depended on broker-dealer registration; others depended upon fraud statutes; most had and still have statutes requiring the qualification of the particular securities offered. Because the subject matter of such legislation was difficult and complex and because conditions varied, the state blue sky laws were a long way from uniform. Moreover, jurisdictional questions with respect to offerings made in interstate commerce created enforcement problems which were staggering in respect of national offerings. Had the '20s been less roaring than they were, perhaps the problem of securities regulation would have been solved by a gradual approach to uniform state law. But the '20s did roar. The processes of capital formation and the practices of the market place got out of hand. A large segment of the public was infected with a speculative germ. All of that in part caused, and in part coincided with, a general economic debacle, and the result was the enactment in 1933 and 1934 of the Federal Securities Act and the Federal Securities Exchange Act.

The idea of a more significant role for the Federal Government in the regulation of corporate enterprise was not, however, born of the depression. There had been a lot of thinking done on the subject over a period of years. Discussions of Federal licensing and incorporation of companies in interstate commerce antedated the '30s by almost 50 years. In the early part of the century an Industrial Commission created by the Congress recommended Federal incorporation and suggested that corporations should be required to publish information about themselves and their promoters in the raising of capital and to furnish financial reports to their stockholders. When the conditions of the '30s brought about Federal action in the securities field, the Congress had three choices: (1) a fraud statute like that of some states; (2) a qualification statute like that of other states; or (3) a disclosure statute.

Anti-Fraud and Disclosure

The pattern chosen was a combination of a fraud statute and a disclosure statute.

The Federal statute, of course, leaves an investor free to part with his money like the proverbial fool. It is based on a relatively non-paternalistic doctrine that the role of government in policing the sale of securities is fulfilled when the investor is assured of a legal right to get the facts and a remedy in case of fraud.

Is that an adequate protection of investors? No one contends that every investor reads the prospectus any more than the millions of people covered by life insurance read their policies. Nevertheless a disclosure statute accomplishes two things in addition to getting through, at least to some investors, the information set forth in the registration statement. First, the very fact that transactions of a suspect character must be disclosed probably prevents many such transactions from ever taking place. Second, while the prospectuses may not be read by individual purchasers generally, they are read by analysts, bankers, and other specialists through whom the information is disseminated and whose appraisal contributes to the fixing of a market price more nearly fair than could be fixed if the information were not available.

The 1954 amendments to the Securities Act of 1933 are designed to get information about the issue and the issuer out to

*An address by Mr. Demmler before the National Association of Securities Administrators; New York City, Sept. 29, 1954.

more members of the public than has been customary under existing practice, in other words, to increase the efficacy of disclosure.

I said a moment ago that the sufficiency of disclosure and antifraud provisions alone as the bases of effective security regulation is debatable.

The Federal statute, however, is not a qualification statute. Section 23 makes it clear that the Securities and Exchange Commission does not approve and may not approve issues and that it is unlawful for anyone to represent that it has approved any issues. This does not seem to be realized by many members of the public, so I say it again in the hope that you and your staffs will help to disseminate a public appreciation of the fact.

State Qualification Standards

There is a school of thought, however, to which many people belong which urges the necessity of imposing qualification standards as a condition for the marketing of securities. This, as I indicated, is the approach of many states. The effect, therefore, of our present dual system of regulating the sale of securities is, in many areas of the country, to add the qualification standards of the state act to the disclosure and fraud provisions of the Federal Act. At first blush this might look like unnecessary duplication but in fact it is not. Section 18 of the Securities Act says categorically "nothing in this title shall affect the jurisdiction of the securities commission . . . of any state, of any security or any person." Moreover, in the absence of any exclusive preemption of Federal control of interstate offerings, the states have a reserved power under the Federal Constitution to impose their own standards.

However, qualitative standards for securities, legislatively framed, are hard to frame and hard to keep up to date. Qualification standards not prescribed by legislation but left to administrative determination involve a degree of administrative wisdom that is hard to find. Qualification standards or exemptions based on rating manuals or listing on exchanges involve problems of delegating legislative power to private agencies. In other words, a good qualification statute is hard to write and hard to administer.

Yet the fact that we have had such statutes since the original Kansas Act of 1911 indicates that the qualification approach is still highly regarded in some areas. Justice Holmes repeatedly expounded the philosophy that the states are laboratories in which economic ideas can be tried and proved or tried and found wanting. I suggest that this trial process is just what has been going on in the states over the years in respect of the offering of securities and particularly in respect of the imposition of qualification standards.

Uranium Issues

By way of illustration, there has been much written and said during the past several months on the subject of uranium issues, particularly the so-called penny shares. In some states some of such issues have been refused registration. We have done our best to get adequate disclosure into registration statements and offering circulars relating to uranium securities. We have compelled the high-lighting in sales material of such items as (1) options to promoters and underwriters, the exercise of which would result in the public investor's share in the enterprise being disproportionately small when compared with the share acquired for nominal consideration by the optionees; (2) "best efforts" underwriting arrangements which indicate that a sufficient amount of proceeds may never get through to provide for the development of the enterprise; (3) questions of title, quality and price of ore, availability of market and of refining facilities. Doubtless many of the offering circulars and prospectuses which our Commission processes are less optimistic documents than the promoters desire. On the other hand, it has been urged that people who dream of fortunes are discouraged by nothing that is said in the cold print of a prospectus. They are said to see the word "uranium" and buy. You can't prove mathematically which view is correct.

Now I suggest that in this area there is justification for trying it both ways. Let those states whose authorities have determined to erect higher safeguards against the improvidence of their own citizens refuse qualification to uranium issues which do not meet the standards of such states. Let other states having different types of statute rely upon the disclosure provisions of their own laws and the disclosure required by the Federal Act.

That approach may result in different consequences to the citizens of one state than to the citizens of another, but until we find the ideal solution, different approaches to the same problem represent the way mankind has learned.

The role that the states have historically played in regulating the sale of securities is important not only because it represents certain approaches different from that of the Federal approach, but because it fills gaps in the Federal statutory plan—for one example, intrastate issues. Many small businesses are locally financed. Many sound enterprises are turning to the government for loans to raise capital when they should be financing themselves by equity money rather than debt. The adaptability of your state laws to the meeting of this problem is vitally important to the national economy.

I have far from exhausted the list of reasons for the importance of effective state securities laws and efficient administration thereof, but I think the reasons I have given are sound.

Financial Support Important

Since these laws and their administration are important, it is a matter of concern both to the nation and to the particular states that there should be no withering away of your functions as a result of insufficient financial support. The Federal Government doesn't do the whole job and I am not a defeatist when I say that I doubt if it could. Consequently, while it is none of my business, I venture to express the hope that your legislatures will see fit to provide you with the necessary sinews of battle.

In addition, since your work is important, it becomes a part of your task to eliminate some of the things which may stand in the way of effective state participation in the process of securities regulation, particularly the confusion resulting from the great diversity of state law. While state statutes fall into patterns, there are many variations within the same pattern, variations of words, variations of concept. The great progress made through your Association in the adoption of uniform forms, convention examinations of investment companies, naturally leads one to the hope that progress can be made toward greater uniformity in state securities statutes themselves.

It does not seem unduly optimistic to think that basic definitions can be made uniform, that broker-dealer registration provisions can be made uniform, and that qualification provisions can be made uniform. In other words, states could be in position to select and adopt such portions of a uniform statute as fitted their own statutory schemes.

It may be a long while until a millennium of uniformity will be attained. But whatever progress we make, the ideal solution will always be in the future. People when they invest money are in effect hiring other people to work for them. The whole process of investment is in effect just one of human relationships. Human relationships have never accommodated themselves to any ideal formula and until the real millennium of the Scriptures comes to pass, they never will.

With Stephenson Firm

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Julian P. Anderson has become connected with Stephenson, Leydecker & Co., 1404 Franklin Street.

Two With Mathews Co.

(Special to THE FINANCIAL CHRONICLE)

SAN MARINO, Calif.—Stephen B. Reichert, Jr. and John H. Snyder are now associated with Mathews & Co., 2486 Huntington Drive.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Achievement in Steel—16 mm color film telling the story of steel available to organized groups—"Achievement," National Steel Corporation, Grant Building, Pittsburgh, Pa.

Atomic Radiation and the Chemical Industry — Bulletin — Oppenheimer, Vandam Broeck & Co., 40 Exchange Place, New York 5, N. Y.

Common Stocks for Trust Funds—Statistics on 352 common stocks eligible for investment of Trust Funds in Pennsylvania—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 2, Pa.

"Don't You Believe It"—A booklet to expose some fallacies on the subject of investing in securities—Cantor, Fitzgerald & Co., Inc., 232 North Canon Drive, Beverly Hills, Calif.

Foreign Investment Through the Japanese Stock Market — In the current issue of "Weekly Stock Bulletin"—The Nikko Securities Co., Ltd., 4, 1-chome, Marunouchi, Chiyoda-ku, Tokyo, Japan.

"Historic Firsts in the First 50 Years of Bank of America"—Brochure — First California Company, Incorporated, 300 Montgomery Street, San Francisco 20, Calif.

Investment Opportunities in Japan—Circular—Yamaichi Securities Co., Ltd., 111 Broadway, **New York 7, N. Y.**

Oil Industry in Japan with particular reference to **Nippon Oil Co., Daikyo Oil Co.,** and **Mitsubishi Oil Co.**—In current issue of "Monthly Stock Digest"—Nomura Securities Co., Ltd., 1-1 Chome, Nihonbashi-Tori, Chuo-ku, **Tokyo, Japan.**

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Profits Through Research — Plus **"Positive Investment Program for 1954-1958"** both booklets free of charge—Offer C-254, Investors Research Company, Santa Barbara, Calif.

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American Mercury Insurance Company—Report—Peter P. McDermott & Co., 44 Wall Street, New York 5, N. Y.

Best Foods—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Big Horn Powder River Corp.—Memorandum—Rutberg & Co., 31 Nassau Street, New York 5, N. Y.

Black, Sivalls & Bryson—Memorandum—First Securities Co. of Chicago, 134 South La Salle Street, Chicago 3, Ill.

Canada Dry Ginger Ale—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is an analysis of **Republic Steel Corporation.**

Cinerama Productions Corp.—Bulletin—John R. Boland & Co. Inc., 30 Broad Street, New York 4, N. Y. Also available is an analysis of **Sandy Hill Iron & Brass Works.**

General Precision Equipment—Report—Gerstley, Sunstein & Co., 121 South Broad Street, Philadelphia 7, Pa.

Glidden Co.—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue are a discussion of **Tri-Continental Corp. Warrants** and three selected lists of **Low Priced Stocks.**

Kaiser Steel Corporation—Card memorandum—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Missouri-Kansas-Texas—Memorandum—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Missouri Pacific Railroad Company — Bulletin (No. 176) — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a bulletin (No. 175) on **Railroad Earnings.**

Montgomery Ward & Co.—Memorandum—Emanuel, Deetjen & Co., 120 Broadway, New York 5, N. Y.

Mueller Brass Co.—Bulletin—Gartley & Associates, Inc., 68 William Street, New York 5, N. Y.

National City Bank of New York—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

National Food Products Corporation—Analysis—Strauss, Ginberg & Co., Inc., 115 Broadway, New York 6, N. Y.

Public Service Co. of New Hampshire—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

River Brand Rice Mills—Memorandum—Walston & Co., 35 Wall Street, New York 5, N. Y.

Riverside Cement — Analysis — Lerner & Co., 10 Post Office Square, Boston 9, Mass.

St. Regis Paper—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Shamrock Oil & Gas—Analysis—Cowen & Co., 54 Pine Street, New York 5, N. Y.

Socony-Vacuum Oil Company—Report—Thomson & McKinnon, 11 Wall Street, **New York 5, N. Y.**

Texas Gas Transmission Corp.—Card memorandum—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Also available is a comparative tabulation of **Public Utility Common Stocks.**

Texas Industries — Analysis — General Investing Corporation, 80 Wall Street, New York 5, N. Y.

Whirlpool Corp.—Memorandum—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y. and 135 South La Salle Street, Chicago 3, Ill.

Securities Salesman's Corner

By JOHN DUTTON

The following story was told to me by the President of a life insurance company just the other day. It illustrates the power of positive thinking when applied to personal problems as well as those encountered in constructive sales work.

At the head of one of the largest general agencies of this company there is a man who has been very successful in building the confidence of his men in their own abilities. He has also hired some men and assisted them to regain their former abilities once they have lost them. This latter phase of his peculiar talent is certainly something that one rarely finds, as it is akin to applied psychology and is a field outside that of the average salesmanager.

About six months ago this salesmanager hired a man who had been a successful producer of business for another company, but for some reason he had lost his grip and not only was he job hunting but he was also in dire financial need. As the President of the company told it to me, the first thing this stem-winding salesmanager did was give this man a $100 bill and he told him to put it in his wallet and promise not to spend it. Then he gave him $50 and said, spend this if you need it. Then he placed this man on the payroll at the rate of $100 per week drawing account and told him to go out and go to it. One month passed and the salesman did no business, another passed by and no business. Finally, after three months and no business, the President of the company told the salesmanager that he thought he was making a mistake on this man. Fourteen hundred dollars had been paid to him and there was no business. At this point the salesmanager had a real heart-to-heart talk with this salesman. He finally found out the trouble. He was making his calls, he wasn't loafing or squandering his drawing account, and he had a good character, but he wasn't closing business.

The reason was that he would present his proposition and when it came time to ask for the order he would think, "How can this man pay for this?" He would lose confidence at the very time he should believe in his proposition and he conveyed this feeling to his prospect. As a result he was not making sales. The reason for this hesitancy and lack of assurance on his part was due to the fact that because a few hundred dollars meant so much to him, he couldn't realize that to another man the same problem did not present itself. The salesmanager had it out with this salesman and he straightened out his thinking. He reminded him that others had shown faith in him, and he should show the same faith in himself, as well as the value of the product he was selling. When this was accomplished the same salesman wrote $500,000 worth of business in one month. Now he is well on the way to success.

There is no stronger motivating force in this life than faith—faith in ourselves, our associates, and the product we are selling. No doctor ever accomplished a miracle of healing without the confidence of his patient—that comes first. In this life there are obstacles which come to all of us —but no man can find happiness and contentment unless he has faith in the rightness of his purpose and his mission.

With Standard Inv. Co.

(Special to The Financial Chronicle)

PASADENA, Calif. — Mary J. Handy is now with Standard Investment Co. of California, 721 East Union Street.

Joins F. I. du Pont

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—William H. Flentye has become associated with Francis I. du Pont & Co., 677 South Figueroa Street. He was previously with Dempsey-Tegeler & Co.

Joins King Merritt

(Special to The Financial Chronicle)

LOS ANGELES, Cali.—Claude J. Higdon has joined the staff of King Merritt & Co., Inc., 1151 South Broadway.

COMING EVENTS

In Investment Field

Oct. 8, 1954 (Rockford, Ill.)
Rockford Security Dealers Annual "Fling-Ding" at the Rockford Country Club.

Nov. 4-6, 1954 (Florida)
Florida Security Dealers Association Annual Convention and Election of Officers.

Nov. 28-Dec. 3, 1954 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

May 8-10, 1955 (New York City)
National Federation of Financial Analysts Societies at the Hotel Commodore.

J. P. Morgan & Co. Plans 20% Stock Div.

Henry C. Alexander, President of J. P. Morgan & Co. Incorporated, announced Oct. 6 that the Board of Directors had authorized the calling of a special meeting of stockholders to be held Oct. 29, 1954, to act upon the following proposals:

(1) to increase the capital stock of the bank from 250,000 shares of the par value of $100 each to 300,000 shares of the same par value;

(2) to amend the bank's present Officers' Additional Compensation Plan in certain respects; and

(3) to revise the Employees' Retirement Plan in order to adjust pensions in line with the increase in the cost of living which has taken place since the Plan was instituted in 1940.

If the stockholders and the Superintendent of Banks of the State of New York approve the proposal to increase the capital stock of the bank, it is planned that the additional 50,000 shares will be distributed on Nov. 8, 1954 to stockholders of record Oct. 29, 1954, as a stock dividend at the rate of one share for each five shares then held. The capital of the bank will then be $30,000,000, the surplus will remain at $30,000,000 and undivided profits will be about $11,000,000. Mr. Alexander said that at the next dividend meeting the Board intends to declare a quarterly dividend at the current rate of $2.50 per share payable on the 300,000 shares to be outstanding after the increase.

The Board of Directors believes that the increase in the bank's capital is in keeping with the growth of its banking facilities, is warranted by operating results, and should enable it to participate even more vigorously in the financing of the nation's business.

The details of the three proposals will be set forth fully in the notice of the special meeting which will be mailed to stockholders on or about Oct. 8, 1954.

E. A. Erickson Opens

(Special to The Financial Chronicle)

EL CENTRO, Calif.—Edward A. Erickson is engaging in a securities business from offices at 708 Main Street.

Joins Paine, Webber

(Special to The Financial Chronicle)

LONG BEACH, Calif.—Thomas J. Corcoran has become connected with Paine, Webber, Jackson & Curtis, 147 East First Street. He was previously with Marache, Dofflemyre & Co.

Tucker Adds to Staff

(Special to The Financial Chronicle)

LONG BEACH, Calif. — Earl Van Slyke has been added to the staff of Tucker & Co., 132 Pine Avenue.

Pointers for Federal Tax Policy

By HARLEY L. LUTZ*
Professor Emeritus of Public Finance, Princeton University
Tax Consultant, National Association of Manufacturers

Dr. Lutz lays down as basis for Federal Tax policy: (1) reduction of individual income tax rates; (2) development of Federal excise taxes; and (3) transfer of government services and tax sources to the States. Says there is an obsession about the income tax, and points out as objections to dependence on income tax for revenue: (1) Federal budget is made vulnerable by economic fluctuations; (2) rates on incomes become excessive, even abusive; and (3) there is a tendency to neglect other revenue sources. Foresees liquidation of the "middle class" in high income taxes.

I remember when there was no income tax. I remember the arguments of those who were fearful that an income tax would mean exposure of personal and private affairs to a stranger; and I remember the answer that this would be guarded against by having each person make out his own return. I remember the predictions that the income tax rate might be as high as 10%, to which the reply was—"Don't talk nonsense. Of course the rate will never be th*t high."


Harley L. Lutz

I can remember the Golden Age of American agriculture — that wonderful base period 1910-1914—approved as a relic of the past even by those who jeer at everything that happened prior to the day before yesterday. These years were not considered special in any way at the time. They have since become a prolific source of political hay, a crop that has surpassed anything provided during that base period by the joint efforts of a bountiful nature and an industrious husbandry.

In those days the accepted method of disposing of surplus farm products was the free lunch at the end of the saloon bar. This method of reducing the farm surplus was financed out of the results from the sale of a large glass of beer for a nickel, and from the sale of a five-cent cigar. Today, the only contribution to the farm surplus problem by the ancient and honorable institution of communal elbow-bending is an occasional small dish of peanuts, popcorn, pretzels, or potato chips. It is small wonder that the taxpayers have to pick up so much of the check. The old system was just another example of the superiority of private enterprise.

The National Tax Association

I remember when the National Tax Association was formed. One day Professor Bullock told his class in Public Finance at Harvard that he had to be "out of town," an explanation that I later found very useful myself when there was something to interfere with meeting a class. Afterward, Bullock told us about this tax association that had been formed at Columbus. My own membership dates from 1910 and my first conference was at Richmond in 1911. There were then no other national organizations devoted primarily to the discussion of tax problems, and the NTA attracted the outstanding men who were dealing with such matters as tax administrators, tax attorneys, and tax students' including professors in colleges and universities.

The proceedings of the annual conferences held under the auspices of the Association are a record of the best American thinking on the theory and practice of taxation during the 47 years of the NTA history. Two approximately equal periods of this record may be discerned. Through the first 25 years the issues and problems of state and local taxation were paramount. Federal taxation was then of minor interest and importance. World War I gave Federal taxation temporary prominence but this passed with the "normalcy" of the 1920's. In the second half of the NTA record, say, from 1932 to the present, Federal taxation has been paramount.

During the first period there were occasional papers and committee reports on Federal taxation, but the predominant interest and concern at the annual conferences was with state and local taxation. The papers and discussion covered the water front of the practical aspects of the tax methods then in use, with particular and continuing interest through the years in the techniques of assessment of real estate, personal property, the railroads, and the other public utilities. The closest approach to a subject involving, in a philosophical sense, the relations of different governmental units was the discussion of the separation of tax sources. At issue then, of course, was the distribution of revenue sources between the state and its local subdivisions, with ancillary topics such as local option, by which was meant the freedom of cities and towns to select their own methods of raising local revenue, and interstate conflicts leading to double taxation at the state level.

The appointment of a committee to draft a model plan of state and local taxation was a logical culmination of the concern over these matters. The report of this committee, submitted in 1919, had a substantial influence for years on the development of state tax systems. It was a consistent, reasonably successful attempt to deal with the equitable apportionment of the tax load among the major tax sources within the state, and to provide a basis for minimizing, if not eliminating, the tax conflict among states. It did not deal at all with Federal taxation, for that cloud, which was later to cover so much of the fiscal sky, was then no bigger than a man's hand. In 1918 we had just finished making the world safe for democracy and everybody confidently anticipated that the reduction of Federal spending, taxing, and public debt which actually occurred during the 1920's would be permanent.

Two outstanding controversies within the NTA during this period call for brief mention. One was bank taxation, which was launched here at Bretton Woods in 1921, following the decision of the Supreme Court in the Richmond Bank case in June of that year. It involved the issue of discrimination against national banks by the states that had introduced a classified property tax. For several years after 1921 the revision of Section 5219 of the U. S. Revised Statutes was on the conference programs. The matter was eventually laid to rest by a revision which authorized several optional methods of bank taxation.

The second notable controversy of this period was over Federal estate taxation. This matter came to a boil in New Orleans in 1925. The Federal estate tax, introduced as a war finance measure in 1916, had not been repealed after the emergency had passed, as were the excess profits tax and various others. The state viewpoint, expressed in several NTA resolutions and in the Model Plan, was that the tax should revert entirely to state use. However, some eastern states had become fearful that the example of Nevada and Florida would spread and that their wealthy residents would escape all death taxes by moving west or south. This was prior to the amazing Supreme Court decision that a rich man can have a domicile for estate tax purposes in as many states as he owns dwellings, or has rented a hotel room, or has gone fishing. Out of this debate at New Orleans emerged the compromise of the 80% credit which was later written into the Revenue Act of 1926.

Obsession About Income Tax

Out of the many things from the second half of the period covered by the record of the NTA that could be discussed I have selected the one which I consider the key to the whole story. This is the obsession about the income tax. The income tax fixation became more and more firmly established as the years passed after 1913. It was largely responsible for the defeat, in 1932, of the bill to introduce a general excise tax. This unfortunate negative action by the Congress has supplied, for more than two decades, such political argument and evidence as may have been required to prevent serious consideration of any reversal of that unwise decision. Those of you who were in Toronto, or who have read the "Proceedings" of the Toronto conference, will recall the witty, but never-

Continued on page 31

*An address by Dr. Lutz at a luncheon meeting of the National Tax Association, Bretton Woods, N. H., Sept. 27, 1954.

Economic Future of Florida's West Coast

By PHILIP W. MOORE*

President, First Research Corporation of Florida

Mr. Moore discusses Florida's economic development and growth, particularly with reference to the West Coast. Points out, up to a few years back, the West Coast of Florida was isolated to some extent from the East Coast, but this gap is being closed by the new bridge over lower Tampa Bay. Cites data indicating tremendous growth in Florida West Coast area and makes a five-year economic forecast for it. Stresses value of economic planning.

Economic growth on a peninsula does not always follow a regular pattern. Population movement and business locations are influenced by the almost constant transportation changes within the peninsula, and trading centers and urban areas develop, change and take on new economies, influencing around them the growth of smaller towns, shopping centers and the like.

Philip W. Moore

Such has been the case in Florida. The movement of population down the peninsula has been like a tide flowing along certain shallow stream beds, usually following the line of least transportation resistance. In the early years, it was of course the railroads which, flowing south through the northeast section of the State made small paths toward the Tampa area, and little stream beds down toward Palm Beach, finally reaching Miami and the Keys.

This major population movement southward from the northeastern section of Florida, moving in a southwesterly direction toward the Pinellas-Hillsborough area, and southeasterly toward the Daytona-Palm Beach-Dade area have determined much of the business and economic pattern, and indeed the sociological pattern of life as it is known in Florida today. Nor has the automobile, with its influence and power for change altered this basic pattern extensively up to now. True, there are cross-State roads which match those running north and south, and there are angular and lateral roads which connect cities hitherto unlinked.

True, too, the railroads have improved and speeded up, and the airplane has played its ubiquitous and powerful role in developing the State.

Without any doubt, the airplane has had the greatest influence on developing the State of Florida, and the greatest influence in bringing the peninsula back into what might be called the "mainstream" of continental commerce. With the length of the peninsula now representing only a two-hour flight by airplane, it is to all intents and purposes a part of the nation's commerce, within certain limits, and not a quiet side brook.

It should be pointed out, however, that this transportation has continued to be to a large extent "vertical" and not "lateral." Only recently have the final steps been taken to connect the West Coast vertically.

Up to a few years back, the West Coast of Florida was isolated to a large extent from the East Coast of Florida; this gap, more mental than physical exists to some extent still, despite good roads such as the Tamiami Trail and notwithstanding cross-State airplane flights.

In those last few years, however, with a tremendous increase in State population (which has added some 15,000 per month State population), we have seen a large increase in the number of auto registrations, and a consequent crowding of the roads and outdating of a large part of the main road system in Florida. Such outdating has demanded an answer, and the communities of the State have set themselves to the task in varying degrees.

While the airplane has made more and more a unity of the State, the single most important new addition to transportation to the State recently is the new bridge over Lower Tampa Bay. This bridge, which is destined to have a tremendous effect on life on the West Coast, is a new link to what has hitherto been a somewhat divided area. It can be regarded as another means of north-south transport which has been important in past State development, and to the development of the West Coast.

Pinellas and Hillsborough Counties, as well as Manatee and Sarasota Counties, have seen tremendous growth since the end of World War II. The expansion of St. Petersburg, the Greater Tampa area, and Sarasota, as examples, have shown that a new spirit of interest has taken hold of part of the State's widening population, and have caused the area within 50 miles of Tampa Bay to become even more of a major population and commercial center than it has been in previous years. The bridge will serve to give impetus to this development, and hasten the development of counties south of Sarasota and north of Pinellas-Hillsborough line, i.e., Pasco, Hernando and Citrus, and the Counties of Collier, Lee and Charlotte. The completion of this bridge only adds to the other highways moving north and south, and serves as one more means of ingress into the expanding, bustling area whose center is Tampa Bay.

Twenty percent of the State's population lives in the ten-county area north and south of the bridge along the West Coast of Florida, and this population of 655,000 persons has caused the ten-county area to become a major market for goods. Pinellas and Hillsborough Counties between them account for some $560 million of this total, and this great metropolitan area will continue to dominate the West Coast over the next decade. This to be accounted of course by the fact that the two central counties of Pinellas and Hillsborough have between them 75% of the population in the ten-county area. Approximately 19% of the population are in the five counties south of Tampa Bay, while in the three counties north of the Bay, some 6% of the population reside.

Measured from any economic outlook, such as bank deposits, employment, business patterns and so on, the area has dynamic features to it. In 1940, these ten counties had only 366,000 residents, and in 1950, some 540,000. From 1950 to date, some 120,000 persons have been added to the population, a four-year increase of 30,000 a year, as compared to a ten-year increase from 1940 to 1950 of some 17,000. This rate is expected to be maintained over the next five years, despite the high growth rate since 1950.

Business-pattern-wise, Pinellas and Hillsborough employ also some 75% of all the persons employed in the ten counties mentioned. By and large, this 75% division of these two central counties obtains in almost every instance where per capita indicators are usual. For example, in bank deposits, the two counties, Pinellas and Hillsborough, have some 77% of all bank deposits, which total some $422 million in 1953, as compared with $329 million three years ago. Bank deposits for all the ten counties totaled $544 million at year-end 1953, as compared with $332 million at year-end 1948. This increase of more than $200 million outpaces even population growth.

Some of the principal cities within the West Coast area have had some remarkable developments in population, and in concomitant building permits. This economic indicator shows that permanent investment is a part of the area, and that the area is investing to house its new families. In 1953, for example, St. Petersburg had $31 million worth of building permits; Tampa had $27 million; Sarasota, $9 million; Clearwater, $8 million; Ft. Myers, $3.5 million; Naples, $2.5 million; Bradenton, $2.5 million; Tarpon Springs, $0.5 million. As in the rest of Florida, it indicates that the growth of the West Coast area is, in effect, measured in the growth of its cities.

The new bridge will increase traffic throughout the West Coast. Such traffic increases will be both induced by easier means of travel and generated by continuing economic expansion in the component business and residential centers. In 1953, some 316,000 motor vehicles were registered in the ten counties, a 33% increase over the 1950 total. Such growth in motor vehicle registration indicates clearly that transportation advances are not only helpful to economic expansion, but actually necessary for it. It is a case of which comes first, auto or new road.

The important tourist industry on the West Coast will continue its development, which really began about the time of the Korean War in 1950. Since that date, new emphasis on the West Coast and new desire on the part of the traveler to look at other coastal segments of Florida have caused a tremendous growth in tourist accommodations. At the present moment, there are some 120,000 available tourist rooms in the ten-county area from Citrus County down to Collier County. In the areas north and south of Tampa Bay, the increase in tourist accommodations was much sharper in the last five years, running at nearly 50% in the period, compared to a 30% increase in the two central counties. It is expected that this gradual change of tourist accommodation pattern scattered along the increasingly popular main highways, will continue.

Agriculturally, the area has an excellent background, in that its coastal counties are backed by an agricultural hinterland of surprising diversity. In addition, phosphate deposits on the West Coast form a raw material bulwark on which the economy has been building soundly. Evidence of this balanced economy which centers in the Pinellas-Hillsborough area is the tremendous activity in the Port of Tampa. While not the largest port, tonnage-wise, in the Southeast, it is one of the busiest, and its presence has influenced an increasing number of businesses to locate in the Greater Tampa area.

The growth factors of the West Coast of the State should continue to move upward over the next five years, particularly with the impetus of the new bridge, and with other transportation facilities in contemplation. Generally speaking, the area has been centered in the Pinellas-Hillsborough area, but urbanization effects should spread outward from those counties, reaching north and south to create of the area a cohesive economic whole. The effect of the bridge in unifying this coast will be large, and it would appear to be generating more unity in general developmental efforts than has been evidenced in the past.

In the future, it is expected that the counties of Charlotte and Lee should see development south of fast-growing Sarasota. In those areas there are some splendid undeveloped bays and waterside areas which undoubtedly will be developed in the future, and future transportation changes to come, such as bridges, undoubtedly could alter business and travel patterns for that section of the coast within the next five years. South of that, the recent development of Collier County, backed by able capital interests, should continue at the present rate, giving the area a well-balanced southern anchor.

The accompanying table outlines generally the growth of the West Coast area, and gives a general forecast as to trends in the future.

One of the prime points of the West Coast will be in the quality of its population, and on the balance of its economy. Whether or not it can avoid the transportation problems and bottlenecks which have plagued the development of the East Coast, and whether or not the character of the urban areas change so as to affect this quality of the population remains to be seen. Evidence of the past, however, would indicate that there is a spirit of permanence on the West Coast which was lacking in the East. A great advantage to the area is that it has, at its base, a permanent group of residents who occupied cities like Ft. Myers and Tampa for several generations. Such a population make-up, with a link to the past, is of great importance in the sociological development of any given area. Such a link to the past prevents excesses and lends a bulwark of urban and area planning which may enable the area to escape some of the growing pains which afflict the East Coast of the state.

What is required in the West Coast is the effort to see that this tremendous growth which is forecast does not become a millstone around the neck of urban or business progress; the answer is to lay careful plans. Planning is a must in any area, and especially so in an area where dynamic expansion is the order of the day. What have hitherto been empty swamps and quiet country roads will become suburbs of mushrooming cities, with real estate developments in what formerly were little villages. These changes will come along with industrialization, and they must be planned for.

Industrialization looms as one of the big problems of West Coast Florida, and should be anticipated and controlled, since it cannot be denied. The strategic location of the West Coast area and its growing population means that within five years a permanent population of nearly 900,000 and a peak population of more than 1,200,000 will be served by retailers, distributors and manufacturers in that area. It is already evident that in the Pinellas County area, hitherto a quiet service and trade center, is becoming industry-conscious and has already attracted within its borders a number of diversified light industries.

The Tampa area, of course, has always had its share of manufacturers and its work through the Chamber of Commerce and various civic committees has been exceedingly effective, bringing in more industry into an area which has known it for several generations. In the other counties, however, which have not known industry, manufacturing companies will arrive, and bring their Pandora's box of problems. It is conceivable that within the Sarasota area, for example, a number of light industries will develop for various reasons, since in plant relocation analysis, an area such as Sarasota offers everything which any other area in Florida offers, including a fast population growth and a developing urban center. The big question: Is the area planning for this?

In the northern section of Pinellas and Hillsborough Counties

Economic Forecast — West Coast of Florida (1954-1959)

		1959	
	1954	Normal Growth	With New Bridge
Population	655,300	770,000	864,000
Retail sales	$713,875,000	$820,000,000	$940,000,000
Bank deposits	$544,063,000	$630,000,000	$780,000,000
Auto registrations	316,277	390,000	440,000
Nonagricult. employment	199,000	228,000	262,000
Tourist accom. (rooms)	118,600	144,000	160,000
Number of tourist visitors	1,770,000	2,100,000	2,450,000

*An address by Mr. Moore before the Tampa Committee of 100, Tampa, Fla., Sept. 28, 1954.

will undoubtedly be located many of the larger industries, whose branch locations may be influenced by the growth of population, by excellent port facilities, by labor supply or by general land or raw material availability.

It should be realized that within certain limits there is a transportation umbrella under which local industry can hide, especially in an area such as the West Coast. It means that local manufacturers can compete within the cost-range of transporting such goods from other manufacturing areas; this permits either somewhat higher profits, lower prices to consumers, or even somewhat less efficient production. Any of the three of these points might be enough to attract a given manufacturer to this section.

All in all, therefore, the West Coast is merely the latest to come to mass attention within the new sphere of the developing Florida. As always in a peninsula, transportation has been a problem—the answer to the problem will probably set off new growth, and probably new problems. As always, however, the answer to such dynamic growth as has been forecast lies in the realm of planning, which while not always pleasant or easy, can be rewarding.

From Washington Ahead of the News

By CARLISLE BARGERON

Just what being "contumacious" of the Senate means, I'm not quite sure that I understand. It is one of the two indictments against Tempestuous Joe McCarthy.

But there seems little doubt that Senator Langer of North Dakota is "contumacious" of something. The most clamorous complaint from the Leftests against Joe is that he has had witnesses before him, acting as a one-man sub-committee, to testify against citizens without letting those citizens appear in their own behalf. In this way, it is claimed, he has smeared innocent people, those of Leftist political persuasion but not actually Communists, just, perhaps, super-duper liberals.

Carlisle Bargeron

This has been the subject of a tremendous outcry in the American press, or at least, a vast and influential segment of it, as well as from those who have the preponderant voice on the air waves. We are told, indeed, that it has utterly destroyed our global leadership. The French, the British, the Africans and the Hottentots, it seems, have become completely disillusioned about our global leadership ability, but not to the extent that they won't take any more of our money. If we are to believe what we read and hear, the billions of dollars which we have poured out to foreign nations has gone down the drain because of one man in our 160,000,000 midst.

But strangely enough there hasn't been even a feeble protest against the conduct of "Wild Bill" Langer who, in the absence of Congress, is out to smear a vast industry of this country, the private power industry, without a hearing. He hasn't been authorized by the Senate to conduct an investigation of the so-called Dixon-Yates deal by which the Administration entered into a contract with private power companies to build a plant to furnish additional power in the TVA area, in lieu of permitting the TVA continuously to expand. In fact, he doesn't even have the authorized funds with which to do it. He has stated publicly that he is engaging in the private practice of law to the extent of getting $100,000 with which the pursue this investigation on his own. Those who are so interested in McCarthy's personal finances should be interested, it seems to me, in knowing just how and where Langer expects to pick up $100,000 in quick private practice. Undoubtedly there is that money around in the legal practice but Langer as a lawyer has never been considered to be in that high bracket.

Langer, for several days, has been parading a former subordinate official of the Mississippi Power and Light Co., one of the Dixon-Yates group who has been, so to speak, spilling the works against the iniquities of this company and its parent holding company. What he tells, as it sounds in the head lines, is so rotten that one wonders how he could have lived with the situation for 30 years, which he did, but when you analyze it there seems to be no substance. Certainly it has little or no relation to the Dixon-Yates deal.

What it is doing, though, is thoroughly smearing the Administration and the private electric power industry as a whole. Already there are predictions that as a result of Langer's work there will be a move in the next Congress, probably successful, to investigate the whole private utility industry such as it was raked over the coals back in the 20's, with all of the attendant demogoguery, just at a time, too, when the industry thought it was doing all right and under Eisenhower could move forward without being a football of politics.

There is a degree of similarity between Langer and McCarthy. Unquestionably McCarthy tried to embarrass the Administration, although he was of the same party, because he figured rightly that that Administration had no love for him, had even been making snide moves against him.

Langer has been tolerated by the Republican Administration only because it needed him to count enough noses to organize the Senate. Just as the toleration of McCarthy puts him in a key and influential spot as Chairman, because of the seniority rule, of the Committee on Government Operations, so the toleration of Langer, has placed him in the key spot of Chairman of the important Senate Judiciary Committee.

Both bad boys, you might say, have had their vengeance against those in high Republican places who snooted them. It has apparently wrecked McCarthy but Langer seems still to be sailing along.

It goes without saying that the Dixon-Yates group have shown just about the most stupid public relations that Washington has witnessed in a long time. The entire industry is very likely to suffer from their conduct for many years to come.

What is just as important is that in the handling of a very simple case, the Democrats have made it a smear of the whole Republican party. The fact that a Republican Chairman of a committee is eagerly engaging in this smear is a commentary on the crazy political situation we are in. But we are in it.

U. S. Fiberglass Industrial Plastics Stock at $2 per Share

General Investing Corp., New York City, is offering an issue of 150,000 shares of class A common stock (par 10 cents) of U. S. Fiberglass Industrial Plastics, Inc., at $2 per share on a "best efforts" basis.

It is intended to use the net proceeds from this offering to purchase additional equipment, further the research and development of new products and new products design, and for working capital.

U. S. Fiberglass Industrial Plastics, Inc. was incorporated in New York on March 20, 1952. It was formed for the purpose of engaging in the relatively new Fiberglass reinforced plastics field. Initially the activities of the corporation consisted principally of developmental work. During the first two years of its corporate existence, the corporation retained, on a contract basis, the services of an independent Fiberglass reinforced plastics firm to develop new products having commercial application.

In order to commence manufacturing operation, the corporation acquired in fee on July 1, 1954 a plant located in Norwood, Bergen County, N. J.

It is the management's intention to equip the plant (using for this purpose initial proceeds of this offering) so as to get into immediate production on the following units: Film cases; film reels; beer and soft drink cases (with and without dry-ice compartments); signs and letters; archery bows; and mortar tubs. The company contemplates additional items for early production.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Edgar M. Samelson, Jr. has joined the staff of Paine, Webber, Jackson & Curtis, 626 South Spring Street. He was previously with Revel Miller & Co.

New Krensky Branch

GRAND RAPIDS, Mich. — Arthur M. Krensky & Co., Inc., members of the New York and Midwest Stock Exchange, has opened a branch in the Pantlind Hotel under the direction of Hyman B. Shaine.

Peter McDermott & Co. Forms Qr.-Century Club

Formation of a Quarter-Century Club for employees and associates who have been with the firm for 25 years or more was announced by Peter P. McDermott & Co., 44 Wall Street, New York City, members of the New York Stock Exchange. At the christening of the Club last night, Peter P. McDermott, senior partner of the firm, presented to each member of the newly formed club a $500 United States Government bond and a scroll.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Sherburn Prescott to Eugene L. Cullen will be considered by the Exchange Oct. 14.

Andre de Saint-Phalle & Co. was dissolved Sept. 30.

Leavitt, Bry, Fox to Be Spear & Leeds Partners

On Oct. 8 the firm of Leavitt & Bry will be dissolved and Phillip B. Leavitt, M. Edwin Bry, and Eugene V. Fox, all members of the New York Stock Exchange, will become partners in the Exchange firm of Spear & Leeds, 11 Wall Street, New York City, on Oct. 11.

With King Merritt

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Chas. L. Stevenson is with King Merritt & Co., Inc.

Martin, Gordon Joins Hincks Bros. & Co.

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Bernard F. Martin, Jr. and A. Reynolds Gordon have become associated with Hincks Bros. & Co., Inc., 872 Main Street, members of the Midwest Stock Exchange. Mr. Martin was formerly in the unlisted trading department of Burnham and Company, New York City.

Tucker With Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — E. DeWitt Tucker has become associated with Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges. Mr. Tucker has recently been with Hill Richards & Co. In the past he was with Boettcher and Company in Denver for many years.

Hutton Branch in Tyler

TYLER, Texas—E. F. Hutton & Co., members of the New York Stock Exchange, have opened a branch office in the Blackstone Hotel Building under the management of Raymond B. Edelman.

Laird, Bissell Branch

SALEM, N. J.—Laird, Bissell & Meeds, members of the New York Stock Exchange, have opened a branch office at 160 West Broadway, under the management of Louis J. Sneed, Jr.

Public Utility Securities

By OWEN ELY

Public Service Company of Colorado

Public Service of Colorado serves the City of Denver and its metropolitan area, together with other sections of the state, the major part of the system being interconnected. The estimated population served is 920,000 of which about 675,000 is in the Denver area. The company controls Cheyenne Light, Fuel & Power Co. (serving Cheyenne, Wyoming, and environs) and also several gas subsidiaries. Revenues of about $59 million for the 12 months ended June 30, 1954, were 55% electric, 44% gas, and 1% miscellaneous. Neither service reflects a very heavy industrial load: electric revenues were 37% residential and rural, 30% commercial, 20% industrial, and 13% from other sources. Retail gas revenues were 58% residential, 29% commercial and 13% industrial.

Public Service of Colorado has enjoyed very rapid growth as indicated by a postwar increase of about 66% in electric customers, 150% in kwh. sales, and 102% in electric revenues. Gas revenues gained even more rapidly with an increase of some 233% (by the end of next year the increase is estimated at 275%). The company is adding about 1,000 new customers per month. Regarding current building activity in Denver, two 23-story buildings are about completed, plus some smaller ones. Substantial housing projects are contemplated, and building permits continue to run ahead of last year.

The company is currently selling $20 million first mortgage bonds, and including this sale pro forma capitalization is about 50% debt, 20% preferred stock and about 30% common stock equity. The management favors an equity ratio around 35% and expects to increase the ratio by common stock financing next year, probably in the second quarter.

New generating capacity has been increased 177% in the postwar period to the present effective capability of 434,000 kw., including 66,000 kw. installed at the Zuni Station July 1. A 100,000 kw. unit is now under construction at the Arapahoe Station and is scheduled for operation about mid-summer next year. Orders will be placed in the near future for an additional 100,000 kw. unit for the Denver area, probably for installation in 1957.

The question of Federal power projects in the area is of interest. There are several multiple-purpose hydro projects of the Bureau of Reclamation in operation in or near the territory served by the company and its subsidiaries, the largest being the Colorado-Big Thompson Project with nearly 180,000 kw. installed hydro-electric generating capacity. Substantially the entire output of this project has been (or in the near future will be) committed by the Bureau to customers presently being served by the Bureau —local REAs, and public power distributors in Nebraska. Thus the project, which has been under development for many years, is not in any sense a threat to the private utilities.

Large proposed Federal hydro projects are the Fryingpan-Arkansas and the Upper Colorado River projects. The former is not considered very economical and has not yet been approved by Congress. The latter is still very nebulous, with a potential cost of around $1 billion. It would require large water storage and might provide about 1 million kw. (including 800,000 kw. in the Grand Canyon). However, this project could hardly be completed before 1970, if it develops, it is reported.

Nine privately-owned electric utilities serving the Upper Colorado River Basin, including Public Service of Colorado, have recently presented a proposal to the Congressional Committees on Interior and Insular Affairs in connection with the proposed project. This outlined the willingness of the utilities to cooperate with the Bureau in marketing the entire power output. The companies would make available their existing transmission facilities, construct and operate any additional transmission facilities necessary to market the power, and purchase such power at a price which would not exceed cost of power from alternate sources. Thus, if this long-range project is approved (it seems to be favored by the Administration) it can easily be geared to the private utilities' program.

Public Service has asked the Colorado Commission for a $3.8 million electric rate increase with a slight offsetting reduction in gas rates, leaving about $3.6 million net. Hearings were ended in August, and the management is hopeful that they will obtain a substantial part of the increase, possibly effective Jan. 1. The increase would be equivalent to about 60 cents a share if granted in full.

The stock is currently selling around 39 to yield 4.1%, based on the $1.60 dividend. Payout is, of course, relatively low.

PUBLIC SERVICE COMPANY OF COLORADO

		Common Stock Record		
Year	Revenues	Earnings	Dividends	Price Range
1953	$56,000,000	$2.34	$1.50	35⅞ - 26⅜
1952	52,000,000	2.20	1.40	31¼ - 26⅝
1951	49,000,000	2.10	1.40	30⅛ - 23⅞
1950	43,000,000	2.40	1.38	28½ - 21½
1949	38,000,000	2.37	1.15	23¾ - 19
1948	33,000,000	2.11	1.03	19⅞ - 16¼
1947	29,000,000	2.26	0.83	19¼ - 15¼
1946	25,000,000	2.34	0.83	20½ - 15½
1945	24,000,000	1.25	0.83	19¼ - 13⅞
1944	23,000,000	1.14	0.83	14⅛ - 11¾
1943	22,000,000	2.14	---	12½ - 12¼

Railroad Securities

Missouri Pacific Reorganization Stymied?

Chicago & Eastern Illinois Plan Before ICC.

Investors and speculators who had been thinking in terms of a fairly speedy consummation of a Missouri Pacific reorganization plan have had to revise their estimates in the past couple of weeks. Optimism as to the timing had been predicated on the theory that the latest plan had been hailed as a "compromise" plan actively supported by representatives of all of the various classes of securities. Last week it was announced that five different group had filed objections with the ICC. The deadline for such objections was on Sept. 27. At this writing it is not known whether or not the Commission will hold hearings on any or all of the objections. However, even if they do not hold hearings, but go right ahead and certify the plan to the court, it is expected that the objections that have been filed will provide a base for further extensive litigation. The end of this proceeding may still be years away.

Of a more constructive nature, Western Pacific's plan to exchange part of its preferred stock into Income bonds has been completed and the unexchanged stock has been called for redemption. Also, Chicago & Eastern Illinois has reactivated its plan for a similar exchange of its Class "A" stock into income bonds. The plan, which was overwhelmingly approved by stockholders last February, was submitted to the ICC for its approval on Sept. 21. Application to the Commission had been held up until the 1954 tax bill could be fully evaluated as the original version had contained punitive provisions that would have made any such plan unfeasible. Considering wide stock holder acceptance of the plan, and general Commission philosophy as mirrored in its Missouri Pacific plan, it is generally felt in financial circles that the ICC will approve the capital readjustment and that its decision will not be long delayed.

Under the Chicago & Eastern Illinois proposal each share of $40 par value Class "A" stock, which is entitled to preferential dividends of $2 a share cumulative to the extent earned, would be exchanged into a like amount of a hundred-year 5% Income Debentures. The exchange is not mandatory and any holders who wish to, may retain their present status—if they do not exchange, the dividends on their stock will have the same rights and preferences as the 5% contingent interest on the bonds. Payment of interest on the new bonds will be mandatory to the extent earned whereas at the present time dividends are payable on the Class "A" stock only at the discretion of the directors even though they are cumulative to the extent earned. The major benefit to the company in consummating a plan of this nature is in the Federal income tax saving. Interest on the bonds is deductible before arriving at taxable income while dividends on the stock are not. It is estimated that at present tax rates, and if all of the preferred is exchanged, the potential saving would run to $383,751 annually or nearly $1 a share on the common stock. Another feature is that the bonds would eventually have the benefit of a sinking fund which the present Class "A" stock would not have.

The company has naturally suffered severely from the business readjustment of the past twelve months and common share earnings in 1954 will not match the $4.63 realized last year, before sinking and other reserve funds. Nevertheless, there appears to be little question but that net, even after allowing for the funds, will cover the indicated $1 annual dividend rate by a comfortable margin. Moreover, even though the company has only a small cash balance it is generally expected that this distribution will be continued. Over the longer term the earnings outlook is bolstered by the improvement in the coal picture incident to the substantial increase in the demand for electric power for atomic energy plants. It is anticipated that this coal movement, along with rail-river shipments, will continue to expand.

3 With Wagenseller Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Laurence Casselman, Reginald S. Fleet and Ann Trezise have joined the staff of Wagenseller & Durst, Inc., 626 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Casselman and Mrs. Trezise were formerly with Dempsey-Tegeler & Co.

Sullivan Heads Slate of Exch. Firms Assn.

John J. Sullivan, senior partner of Bosworth, Sullivan & Co., Denver, and President of the corporation bearing the same name, has been nominated as 1955 President of the Association of Stock Exchange Firms. Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York, and Edward Starr, Jr., Drexel & Co., Philadelphia, have been nominated as Vice-Presidents and Douglas G. Bonner, Bonner & Gregory, N. Y., as Treasurer, it was announced today from the Curtis Hotel where the Board of Governors of the Association is holding its Fall Meeting. Elections will take place at the annual meeting in New York on Nov. 17.

John J. Sullivan

The following have been nominated for election to terms of three years each to the Board of 35 partners of member firms:

Herbert S. Hall, Morgan Stanley & Co., New York; Marco F. Hellman, J. Barth & Co., San Francisco; E. Jansen Hunt, White, Weld & Co., New York; Lloyd W. Mason, Paine, Webber, Jackson & Curtis, New York; William M. Meehan, M. J. Meehan & Co., New York; Charles L. Morse, Jr., Hemphill, Noyes & Co., New York; Herbert O. Peet, H. O. Peet & Company, Kansas City; Edward Rotan, Rotan, Mosle & Cooper; Houston; Hal H. Smith, Jr., Smith, Hague, Noble & Co., Detroit; Edward Starr, Jr., Drexel & Co., Philadelphia, James G. Tremaine, Gude, Winmill & Co., New York.

The following are nominated to constitute the Nominating Committee for 1955:

Eugene M. Geddes, Clark, Dodge & Co., New York; George R. Kantzler, E. F. Hutton & Co., New York; James Parker Nolan, Folger, Nolan-W. B. Hibbs & Co., Inc., Washington, D. C.; Frank C. Trubee, Jr., Trubee, Collins & Co., Buffalo; Homer A. Vilas, Cyrus J. Lawrence & Sons, New York.

Maynard C. Ivison, Abbot, Proctor & Paine, was chairman of the Nominating Committee which presented this slate, the other members being: Harold L. Bache, Bache & Co., New York; Walter W. Stokes, Jr., Stokes, Hoyt & Co., New York; Max J. Stringer, Watling, Lerchen & Co., Detroit; C. Newbold Taylor, W. H. Newbold's Son & Co., Philadelphia.

Watson, Alloway Admits

Eva Frances Burnside will be admitted to limited partnership in Watson, Alloway & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, on Oct. 15.

With Richard Harrison

(Special to THE FINANCIAL CHRONICLE)

SACRAMENTO, Calif.—Milo R. Roberts has been added to the staff of Richard A. Harrison, 2200 Sixteenth Street.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Anthony F. Gangi is now with King Merritt & Co., Inc., 1151 South Broadway.

Forbes Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Agnes N. Gomer has been added to the staff of Forbes & Company, First National Bank Building.

A Solution to Problems of Gifts of Stock to Children

By G. KEITH FUNSTON*
President, The New York Stock Exchange

Mr. Funston, calling attention to the difficulties and legal red tape involved in parents making gifts of securities to their children, reveals that the New York Stock Exchange has prepared a draft of a proposed statute, to be enacted by the individual states, under which stocks could be registered in name of a minor, with a custodian named also on the certificate. Says proposed statute does not reduce protection afforded children, since it applies only to gifts.

I have a problem and I need your advice. In a way it is a personal problem — personal to me and personal to each of you. But in its much broader aspects it affects the future scope of shareownership in America. I've been anxious to get the benefit of your constructive ideas about it because each of you is the key man in your own state in the securities field and in promoting the general welfare of the investing public. With your assistance I think this important problem can be solved without in any way reducing the protection to which the public is entitled.

G. Keith Funston

I said this was in part a personal problem—personal to you and to me. Let me show you what I mean.

Before we sat down to dinner last night I was talking to the wife of one of your group. She was quite excited about the Christmas shopping she's accomplished while she's been here — buying toys and gifts for her several grandchildren. I suspect she is a jump ahead of most of us on that. I know I haven't done my Christmas shopping yet, although I have given a lot of thought to the sort of gifts I would like to give my own children.

I've always felt that it would be a wonderful thing if, every year, each of our children could receive, along with his toys and games, a gift that was really educational and of lasting value. I've believed that for a long while, and back when my elder daughter was eight, I decided that an ideal gift for her would be a few shares of stock in one of the country's leading corporations. I had many reasons for that decision.

I thought, for instance, that as she grew up such a gift would provide her with a practical home study course in our free enterprise system. By explaining to her what her stock certificate represented, I could give her a first hand lesson in just how our economic system worked. And I hoped that, by spending or saving her dividend checks, she would come to understand our American profit system. It seemed obvious to me that a close self-identification with our system would provide her with the best possible understanding of what makes our economy tick

At the time I decided this I was still a college president and had no idea of the problem I would run into when I tried to make a gift of stock to my own child. When I called my broker and asked him to giftwrap a stock certificate for my daughter to find in her Christmas stocking he told me, politely but firmly, that I was wading into deep water. He said that if I had the stock registered in her name, which is what I had in mind, that I would be unable to sell it later, if I thought best, unless I went to court and had myself appointed her legal guardian.

Trying to be helpful, he suggested that I create a trust for my daughter or have myself appointed her guardian at the outset. This seemed like a lot of red tape and expense for a hundred dollar gift so I told him to forget the whole thing. Instead I opened a savings account for her and the next Christmas I bought her a government bond, even though she already had a fair number. Neither the teller at the savings bank nor the man at the post office who sold me the bond seemed to worry that my daughter was under age. Apparently they operated under different rules.

I didn't think much more about that incident until I came to the Exchange. Since then I have discovered that a lot of parents have had the same trouble I had—and some of them have gotten pretty upset. Many of them write me to ask how they can go about buying stock for their children. My reply, which is cleared by our attorneys, is so full of warnings about pitfalls and complexities that to most parents it amounts to my saying, "You had better forget the whole idea." Many of these people don't like the negative reply and write me again to ask, "Why, in the greatest capitalistic country in the world, isn't there a simple method to start our children out as owners of American business in their formative years?" To this question I have no satisfactory answer except to say that our laws apparently have not kept pace with the remarkable economic changes which have taken place in the past half century.

These changes in the American economic system have indeed been revolutionary. The modern American corporation is probably the outstanding economic phenomenon of our times. In 50 years corporate ownership has spread from a small circle to 8½ million people and this number is increasing every day. By the time today's children are the leaders of tomorrow this country will have a true democratic capitalism in which our productive facilities will be owned by millions of more Americans. Essential to the strength of such a corporate democracy will be the education of today's youth to the workings of our system.

And yet today our children are denied the greatest single teaching tool that we have—ownership. The denial of the convenient right of direct ownership of stock is largely responsible for the fact that only two children out of every thousand—2/10 of one percent of our boys and girls—are shareowners. It is sad but true that, unless changes are made in our laws, almost every one of our children will reach maturity with no real comprehension of what it means to be a shareowner.

I just said that the legal complexity involved is the biggest stumbling block for parents who want to make gifts of stock to children. While I have always been sure that was true, it wasn't until the other day that I had the figures to prove it.

The Exchange has just conducted two consumer surveys. Although the complete findings are not yet available, I asked our research people to dig out the facts on why parents do not buy stocks for their children.

In a survey representing a cross section of American families we asked those parents who said their children owned stock whether the stock was in the child's name or how it was held. The answers gave us a real surprise. In roughly two cases out of three we found that the stock was still registered in a parent's name. I don't think I have to dwell on how troublesome that arrangement may be from a legal viewpoint. Although they apparently don't know it, two out of every three parents who think they have given stock to their children may not, in legal fact, have been successful in their attempt.

Equally revealing are the preliminary figures from a study in which we interviewed families with incomes above $7,500. Forty percent of the shareowning parents in this survey had considered buying stock for their children but had not done so. The predominant reason for their inaction — the one reason given more often than all others combined—was that a gift of stock to a child was too complicated legally.

I think these findings are pretty convincing. They indicate to me that there is a real need for a simple method to allow a parent to make a gift of securities to a child.

For years the securities industry has wrestled with this problem. I would venture to say that every one of our members firms has a form of trust agreement for its own clients. Probably no two of these are alike, in part because of the lack of uniformity of the trust law of our several states. Because of those conditions only wealthy persons or legally sophisticated parents have gone to the trouble and expense of setting up trusts for their children.

Trying to meet the demands of parents who want to make gifts of securities to children is one of the biggest headaches of the securities business. For lurking in the back of every broker's mind is the fear that someday he may be held liable for handling such a securities transaction. Picture yourself in the shoes of the broker when a good customer comes to him and says, "You know, I never believed in all this red tape about trusts and guardians. Some years ago I bought some stock for my son and put it in his name. Now I want to sell it for him and buy another stock I think is better." The broker knows what's coming as the customer talks on, "Don't worry about it. I gave the boy the stock in the first place so he'll never complain about my switching to a better stock for him." That's the way the customer sees it — he **knows** there won't be any trouble. But the broker sees it differently. He has visions of the old stock going up like a sky rocket and the new stock falling like the burnt stick after the rocket explodes. He sees father pased away and an angry son at the broker's door demanding that the broker restore to him the old stock he sold at the father's request. He also sees a judge with a protective hand on the boy's shoulder nodding agreement.

It's a tough spot for our friend, the broker. If he sticks to his guns his customer may get mad, accuse him of being a stuffed shirt and take his business to another firm.

I think you will agree that any way you look at it the state of the present law is unsatisfactory. The demand of parents for a simple way to give securities to children without a lot of legal red tape is putting the securities business on the spot every day. And what is even more important, it is standing between our children and a real understanding of what it means to own their shares of American business.

I think it's about time we brought our law up to date in this respect—and we don't have to let down the bars one bit to do it. We don't have to allow children to deal with their own property or buy and sell stocks themselves. We don't have to allow Dad to tamper with his son's inheritance from Aunt Minnie. But we do need to update the rules on gifts of securities to children. We should be able to find a simple way for a giver to retain some management control over stocks as long as the child to whom it is given is under age. We must supply all parents with a simple and convenient way to do what only wealthy and legally sophisticated parents are now doing by creating trusts for their children. We should make it as easy for parents to give securities to their children as it is to give them savings accounts or government bonds.

This is the problem that I have been anxious to discuss with you for I think, working together, we can help to solve it. I would like to present to you at this time a completely new approach to this problem. I would like to suggest to you that our states provide, by legislation, a simple satutory device whereby a parent can retain the power of management over securities he gives to his children.

The Exchange has prepared a draft of such a proposed statute which I would like to submit to each of you personally for your serious consideration.

This draft statute, if enacted by any state, would perimt a parent or other adult to make a gift of securities to a child with the power of management reserved to the giver or a close relative of the child whom the giver designates. The holder of this reserved power of management is called a custodian of the child's securities.

Under this proposed statute all the parent would have to do to make a gift to this child would be to register the securities in a certain way — "John Jones, as Custodian for Mary Jones, a Minor."

The stock would then belong to Mary Jones completely and irrevocably and her father John's rights, powers and duties as her custodian would be spelled out by the statute.

The custodian would have broad powers to manage the property in his care during the child's minority and the power to expend either income or principal for the child's benefit.

Any securities, whether listed or unlisted, could be given to a

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*Remarks by Mr. Funston before the National Association of Securities Administrators Convention, New York City, Sept. 29, 1954.

Lawlessness in High Places

By DONALD R. RICHBERG*

Asserting the drive of American labor unions for compulsory unionism, combined with their open demand for monopoly power, sheds a startling light on the road ahead, one-time NRA administrator attacks what he calls the lawlessness of labor leaders and the threat of their increased political power which threatens constitutional government. Condemns the Welfare State and trends toward Socialism. Criticizes high court decisions and politicians in high places as distorting the purposes and limits of the Federal Constitution. Concludes Individualism must be dominant, if the people's liberties are to be preserved.

In recent years I have criticized severely many abuses of power by labor leaders. These must be checked and eliminated or our government will be transformed into a hybrid form of labor socialism in which constitutional liberties and the free economy of a free people will disappear.

Donald R. Richberg

It is difficult to overemphasize the injury that the leaders of organized labor, the extremists and the moderates, the faithful and the faithless, all together, are doing to the American form of government and the American way of life. The fundamental philosophy openly expounded by the most influential and powerful leaders is that organized labor should have a monopoly control of all employments. They assert there should be no competition between individual workers, nor between unions. This doctrine is simply the "dictatorship of the proletariat" and the objectives of Marxian socialism thinly disguised as an evolutionary instead of a revolutionary program.

What would be left of property rights in industry, and competition of private management, when the autocracies of huge labor unions were able to dictate terms and conditions of employment, quantity and quality of production and inevitably the prices, variety and distribution of all important products?

What would be left of a free, representative government with legislature, executives and the courts dominated by the voting power concentrated in these labor autocracies?

It is a precious delusion of socialistic theorists that the substitution of political monopolists for private competing managers of industry will substitute unselfish public service for private self-service as the motive power of industry. We need not drag aside the iron curtain to expose the folly of this assumption. The tyranny, torturing oppression and slave labor in the Soviet Union are only an immediate example of the eventual fate of any people who abandon the security and freedom of competitive self-reliance and submit to a monopolistic control of their living and their livelihood.

Right here in the United States we see big and little labor unions extending both benevolent and malevolent controls over millions of workers engaged in the most vital industries of the country. We see leaders of undoubted integrity and patriotism collaborating with revolutionary fanatics, racketeers and criminals of the worst character. We see, in the quarrels and internecine struggles of labor organizations, examples of the constant struggle for power that goes on inside every socialist government. In these struggles the victors, who win by the coercive force of political power, always increase these powers, and rely more and more upon tyrannical force instead of democratic persuasion.

Compulsory Unionism

The drive of American labor unions for compulsory unionism, combined with their open demand for monopoly power, sheds a startling light on the road ahead: Compulsory unionism, no competition between workers or unions, complete monopoly power over industry in the hands of an oligarchy of labor leaders, and a government subservient to this private economic power. This is no fanciful project. This is just a candid summary of the announced objectives of the outstanding leaders of American labor.

But, now that I have emphasized again the threat to American idealisms of liberty that the programs of organized labor hold today, let me hasten to do justice to hundreds of labor leaders and to millions of their followers, who either do not see the evil in these programs or feel themselves helpless to reform them.

The truth is that the lawlessness of labor unions and labor leaders and the threat of their increased political power to overthrow our constitutional form of government has risen from an underlying source in the common thinking and public opinion of the American people. In the last 50 years the American people have become rapidly and profoundly a lawless people. By this I mean that we have largely abandoned our respect for the Law which was our political faith. We have foresaken our political religion—our belief in the eternal rightness of certain principles and of a consistent course of conduct, which we once established as the Supreme Law of the Land.

This is what we meant for many decades by the constant assertion that we had a government of laws, not of men. We established a Fundamental Law by the difficult but educative process of writing a constitution. Then we held that this Supreme Law could only be changed by a new, a difficult and an educative process of writing an amendment to our Constitution. In the preservation of this Constitution and only one process of Amendment, a sacred obligation was imposed on all public officials to uphold the political faith, to maintain the political religion of the American people. Public officials of the state and Federal governments, legislative, executive and judicial, have ignored and violated this obligation more and more in the past 50 years. Theirs is the sinning; but the responsibility of encouraging the sinning rests upon all the people.

There is no substitute for a religious faith in maintaining the morals and mores of a people. There is no substitute for a political faith, founded on a religious faith, in maintaining the integrity of a government. The enduring value of the Constitution of the United States has lain in the fact that it was the embodiment of the political faith, founded on the religious faith, of the American people.

Here I must take issue with one of my most revered preceptors in the law, the great Justice Holmes. In one of his most famous dissenting opinions he wrote:

"A constitution is not intended to embody a particular economic theory, whether of paternalism and the organic relation of the citizen to the State or of *laissez faire*." (198 U. S. 45, 74.)

It is my belief that any constitution, written by free men, which is intended as the foundation of a government of laws instead of men, must embody the social and economic theories which arise out of the religious and political faith of those who write it. When the beliefs of the people change they have the power to rewrite their constitution. But until they themselves rewrite their Supreme Law it is the primary obligation of all publif officials to enforce it.

The Belief in "Natural Law"

Our Constitution, like the Declaration of Independence, was written by men who believed in what is called "natural law," that is eternal rights and principles. It is most unfortunate that such a brilliant and liberal minded lawyer as Justice Holmes should have permitted his sophistication to lead him to scoff at the concept of natural law. Yet in the notable essay which he wrote, in which he said that it was naive in a jurist to believe in natural law, he also wrote:

"It is true that beliefs and wishes have a transcendental basis in the sense that their foundation is arbitrary. You cannot help entertaining and feeling them and there is an end to it."

Then, in the same essay, he reached a final conclusion:

"If our imagination is strong enough to accept the vision of ourselves as parts inseverable from the rest, and to extend our final interest beyond the boundary of our skins, it justifies the sacrifice even of our lives for ends outside of ourselves."

The answer of Holmes to Holmes seems to be that men of imagination and vision must have some faith in eternal purposes and eternal virtues and must seek to construct their society and to regulate their lives in accordance with that faith. I have a strong feeling that if Justice Holmes had lived to realize and to participate in the present world-wide struggle between a materialistic atheism and a religious faith in the divinity of man and the human necessity that he be left free to seek and find his own salvation, the great Justice might no longer feel that it is naive for a jurist to believe in natural law. I am emboldened to this conclusion by an experience which I had as a young man in venturing to disagree with Justice Holmes. I had made a speech in which there was an incidental criticism of his opinion in one case, and I incautiously sent him a copy of my address which was otherwise laudatory of his views. He wrote me in longhand a somewhat favorable comment on my remarks, in the course of which he practically dumbfounded me by writing as follows:

"The notion that I expressed in Patterson v. Colorado was simply the result of ignorance—and I endeavored to correct it in Schenck v. U. S. (249 U. S.) and the other espionage cases."

It may be as surprising to you as it was to me that a great Justice of the Supreme Court would write so candidly to a rash young lawyer who had criticized one of his opinions. But I treasure this letter as a notable demonstration of the breadth of mind of a great man who was willing to acknowledge a change of mind even to a humble critic. So I conclude my defense of natural law with another quotation from Justice Holmes:

"Certitude is not the test of certainty. We have been cocksure of many things that were not so."

This quotation I commend to all those who feel that the rising tide of socialism and paternalistic government, evident throughout the world and unhappily far too evident in the United States, is assuredly a "wave of the future" and that the progress of mankind is permanently committed to that wave. I commend to their consideration the thought that a most beneficent wave of the future had its rise in the American Revolution and that what we are witnessing today is only a counter revolution. This is really a reactionary revolt carrying the world back toward primitive uses of government as the instrument of master men with which to impose their ideas and to advance their interests against the individual aspirations of human beings who instinctively seek to serve themselves and to achieve their own salvation.

The Most Important Task Confronting the American Bar

In the light of my faith, I would devote such energy as I still possess, and such knowledge as I have acquired in long practice of the law, to what seems to me the most important task confronting the American Bar, which is the maintenance, support and defense of the Constitution of the United States.

No one would contend that the Constitution should remain unchanged when the social and economic conditions of living have changed so greatly since that Constitution was written. But the point which I insist upon is that changes in the Constitution should only be made in the manner provided in the Constitution, that is, in consultation with, and by the action of, the people of the United States.

Let me fortify my plea with that of George Washington, who in his Farewell Address said:

"The constitution which at any time exists, till changed by an explicit and authentic act of the whole people, is sacredly obligatory upon all."

Then he warned us:

"Let there be no change by usurpation; for though this in one instance may be the instrument of good, it is the customary weapon by which free governments are destroyed."

In the 100 years from 1804 to 1904 only three Amendments were adopted to the Constitution—the Thirteenth, Fourteenth and Fifteenth, after the Civil War. Since 1904 seven Amendments have been adopted which clearly demonstrate that the Constitution can be lawfully amended in most substantial ways whenever the people have been educated to a new expression of their political faith.

These recent Amendments may not have all been wise, but they at least commanded decisive popular support when adopted. The Prohibition Amendment was repealed: but instead of national regulation of the liquor traffic the people established firmly the State right of local self-government. This popular law-making is significantly in contrast with the steady rise of a centralized government which has been made possible, not by lawful amendments of the Constitution but through lawless abuses of power by public officials.

The Yielding to the Welfare State

In justice to these public officials (as I have heretofore extenuated abuses of power by labor leaders) I must concede that the political leaders of the United States have only yielded gradually to a world-wide tendency to substitute materialistic opportunism for moral integrity as the guiding principle of government. Our political leaders have been subjected to almost irresistible pressures to evade or ignore constitutional limitations on their powers.

First came our plunge into a World War, with all the imperative demands for action that would convince a Lincoln as well as a Wilson that necessities of self-preservation could not afford to yield to ordinary restraints of law. Then came our greatest depression, with millions of distressed citizens clamoring for government aid and answering legal objections with the harsh candor of: "We can't eat the Constitution."

So we had the beginnings of a socialistic welfare state which the need for centralized authority in the Second World War seemed to further justify. Thus our citizenship was educated into an actual disrespect for any legal or moral rule or principle that might be opposed to the immediate relief of distress or the maintenance of an artifical prosperity. When, for example, it was prophesied that the end of the Second World War, with a terrific drop in government purchases, would create vast unemployment, there arose a great demand for new government spending. Politicians of every party were urged to increase recklessly our mortgages against future generations, to depreciate the savings and reduce the security of millions by further inflation, to rush the government into more and more profitless projects with consequent unfair competition and injury to private enterprise, to keep on increasing the burden and variety of taxes—all for the delusive purpose of providing full employment for workers, who through organization leaders were persistently advocating a policy of less work for more pay.

This labor policy of course would either reduce the productivity upon which prosperity and national solvency were dependent, or compel the use of more machines and less workers, thus making more difficult the goal of full employment. Such a policy would have been doomed to defeat in earlier days when the exploited farmers were required to carry the cost of political favoritism for industry. But we had arrived at a new era of mercenary politics. Now, with most laudable motives, ways had been found to buy enough votes by widespread political favor to win majority support for a paternalistic government which could make good its promises so long as its bonds could be floated, taxes imposed and inflation sufficiently controlled so that national bankruptcy could be postponed as the problem of the next generation.

Pursuant to our new mercenary politics the agricultural vote was bought and paid for by billions of dollars of subsidies which insured that all farmers faithfully serving the great Father in Washington should be able to live as well materially and much better spiritually than the well paid workers in the congested—and historically wicked—cities.

In addition to purchasing the support of the organized workers and the organized farmers, our new politics also found a rich vein of vote production in espousing the causes of all substantial minorities. A political discovery of major importance was made in finding out that if a government openly favors the special interests of enough minorities a large majority can be regularly accumu-

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*An address by Mr. Richberg at the Annual Meeting of the Maine State Bar Association, Rockland, Maine.

How Government Can Help Business to Help Itself

By EMERSON P. SCHMIDT*
Director of Economic Research Department
Chamber of Commerce of the U. S.

Dr. Schmidt, in discussing basic contributions government can hand out to business, lists as four major categories: (1) furnishing economic and statistical intelligence; (2) acting as business umpire, by making legal rules and regulations; (3) exercising its power as nation's "biggest industry"; and (4) using proper fiscal, monetary and credit policies to mitigate economic instability and to foster economic growth. Concludes, "prosperity is our most important domestic target."

The basic contribution which government needs to make to help business help itself is to operate its affairs in a way which will stimulate stable economic growth and expansion. The maintenance of prosperity is our one single most important domestic problem. If we solve this one, all other internal problems become manageable and the marketing problem will be less formidable.

Emerson P. Schmidt

Government policy and action are important in at least four major respects:

(1) Through the services to business, particularly in the form of economic and statistical intelligence, government can furnish reasonably reliable, comprehensive, indispensable facts to help business executives make policy decisions.

(2) Government makes the legal rules and serves as umpire. It can, thereby, thwart or stimulate individual initiative and enterprise.

(3) Government is our "biggest industry," and for this reason its weight upon the economy is dominant or at least predominant.

(4) Through government fiscal, monetary and credit policies and actions, substantial power may be wielded to mitigate greatly economic instability and to foster economic growth.

Economic and Statistical Intelligence

While enormous progress has been made in speeding up the collection, processing and releasing of data, there is still too long a lag in the release of data in many fields of statistical and economic intelligence. One of our great corporations for many years assembled a daily balance sheet and a daily income statement—a fact which suggests the importance of timely data. Lack of timeliness is perhaps the most common complaint about government statistics. But greater coverage is also constantly urged. More details and more breakdowns are demanded. However, faster, more detail and more coverage are at least partially in mutual conflict.

All of us at one time or another lament the lack of adequate statistics, but the heavy cost of statistical work to the taxpayer plus the heavy cost to the company in reporting to a government agency must also be weighed against the usefulness of more and better statistics. The National Chamber has had for a number of years a Committee on Business Statistics which keeps in constant touch with these problems and communicates the results of its studies to government agencies and Congressional Committees.

Both government, in determining its policies and in carrying out its programs, and the business executive, in planning production and distribution, could benefit by more knowledge, more facts and better insights.

There is, of course, no way of completely satisfying the innumerable tastes and desires of consumers of statistics. Some of them hang on to every thread which appears to quantify a phenomenon. The more sophisticated may argue that no statistics are better than poor statistics. Certainly this is true at times.

Supply and demand for government statistics appear to be in a constant state of disequilibrium—someone is always complaining of their under- or of their oversupply, or that what we have does not fit. Probably most businesses operate successfully without directly using any government statistics and are thankful for this state of affairs! Many of them, of course, use them via secondary sources such as newspapers and the trade press. Others have elaborate statistical, market and economic research departments. The latter are always pushing at the frontiers and want more statistics. They have an insatiable appetite for them. They want them improved. They want them faster. Some go so far as to urge the desirability of government estimates in advance of the complete collection, processing and publication of the final figures. Part of this impatience traces to the disposition of some business statisticians in need of anchors and benchmarks on which they may hang their reports to the top office. They demand more sampling, more interim estimates, flash releases, etc. Others, with more self-confidence, are willing to wait for the final figures.

As to the type of data which the government should collect, process and distribute, considerable conflict of opinion prevails. There appears to be general agreement that basic censuses and such indices as consumer and wholesale prices are a proper government function. The same holds for general wage and hour data, data on exports and imports, on GNP and similar aggregates.

Commodity and Industry Data

The greatest conflict of opinion turns on special commodity and industry data. Trade associations have been collecting commodity and industry information for many decades. The materials published in many official government documents furthermore, come from private associations to a far greater extent than is commonly realized. The government reprints the data and then it becomes "official."

In principle, most taxpayers and students tend to agree that the government should limit itself to those areas in which there is a broad, general public interest—so broad that no private trade association or other group would concern itself with the problem.

But even this is challenged by some. Whether the government or a private agency collects and publishes data, it has to be paid for. We tend to take for granted that these general purpose figures could only be collected and published by the government; it has to be a subsidized operation. But there are a number of private enterprises that do collect and sell general economic intelligence such as F. W. Dodge Corporation. Apparently users of these data regard them as thoroughly reliable and indeed the government publishes them along with its own data.

The argument for greater collection by trade associations and similar groups may be summarized as follows:

(1) Trade associations can collect and disseminate the data more quickly and cheaply.

(2) They are able and willing to collect more detailed data on a more frequent basis.

(3) They can secure better cooperation of industry members.

(4) They are able to collect, compile, and distribute figures in a form more closely adapted to industry needs.

(5) They can police the completeness and accuracy of data better.

(6) Industry ought to be self-sufficient and take care of its own statistical needs.

On the contrary, it has been argued that the government ought to continue this work for the following reasons:

(1) It is a basic government responsibility to collect and publish data on economic and industrial activity.

(2) Government series are more apt to be "unbiased."

(3) The confidential status of data is better insured under government collection.

(4) Government series are available to all, whereas trade associations often restrict distribution.

(5) Many trade associations lack qualified statistical personnel.

(6) Government collection of data is not hampered by the possibility of antitrust charges.

(7) Only the government can secure adequate coverage in industries composed of many small units.

(8) Government series provide continuity and consistency of series and can be combined in aggregate or index series.[1]

These two sets of conflicting generalizations may be overdramatic, but they suggest the unsettled nature of how and how much government can and should help business to help itself. The conflict is further sharpened by the fact that the government collects data for its own uses as well as for public consumption.

There is a general agreement that where the government already collects basic data but special sectors of the economy require further processing or breakdowns, the government ought to make a special charge for this special service on the ground that it is not of **general** interest to the taxpayer.

Censuses

In addition, it is generally agreed that the government needs for its own operations, and private business could benefit therefrom, periodic benchmarks established through annual, biennial, quintennial, and decennial censuses. Appropriations for such special or regular censuses have been hard to obtain. This is due in part to the fact that probably not one company out of a hundred ever has occasion to use census reports directly. The support for these censuses comes largely from too limited a number of manufacturers and market and research consulting concerns. The census for distribution, for example, is invaluable to national firms setting sales quotas. It isn't of much value to the retailer or wholesaler who operates in one city where the figures are withheld to avoid disclosure.

Much of the legislative difficulty of the Census Bureau stems from the fact that the "grass-roots" constituents in the marketing field make and can make little or no first-hand use of census data. If it could be demonstrated that these censuses have proven value at the local level and local grass-roots interest could be stimulated, the periodic difficulty of getting appropriations would be greatly minimized. Since both government and business need these benchmarks, even when they are frustratingly slow in being published, some attention might be given to development of more grass-roots support for them. The U. S. Chamber of Commerce was very active this year in securing these appropriations and we are told that if it had not been for our efforts the censuses would have fallen by the wayside.

Without periodic census checks, both private series and other public data may become seriously distorted, or at least users may not know whether what they have been using is still accurate.

Faith in Statistics

How good are our statistics? Actually, very few series are foolproof. Nevertheless, faith in statistics passes all understanding. The one merit of duplication in collecting and publishing statistics is that it helps to temper this blind faith. The most recent testing came last winter when the data on employment and unemployment from different bureaus deviated widely enough to initiate a policy of combined monthly releases. But we don't know whether the marriage is now producing purer offsprings. Certainly the fact that in June and July, during a general sidewise movement of the economy, the entrance of the student population into the labor force failed to translate itself into a statistical rise in unemployment, is enough to make one wonder. A private and a public series on sensitive commodity prices deviate widely. Which is right?

Anyone who has ever collected original data, processed and published it, knows that the abiding faith usually evidenced in statistics is unwarranted. Every series needs repeated revision. Methodology needs frequent reexamination and even the arithmetic

Continued on page 34

*An address by Dr. Schmidt, at the Seminar on Marketing, Washington, D. C., Sept. 30, 1954.

1 *Business Record*, Conference Board, August, 1954, page 302.

THE MARKET . . . AND YOU

By WALLACE STREETE

Correcting a Misconception

Probably no situations have led to more misconceptions than those affecting Standard of Jersey and its affiliates, such as the current plan to acquire additional stock in Humble Oil, concerning which some misinterpretations were reported in this space last week.

The misconception arose partly from the fact that there were pitfalls in a recent acquisiton of stock of Creole Petroleum, another subsidiary. In order to be able to add Creole's affairs in the parent company tax accounts, the company had offered cash for a limited number of shares.

For the Humble exchange, on the other hand, Jersey stands ready to take all stock tendered, even to the extent of all the Humble shares in the public's hands. Adding to the confusion here is Jersey's present holding of 72% of the issue and needing a *minimum* of 80% to derive the tax benefits. So a condition of the offer is that at least 8% of the stock must be tendered to reach the required level. This was mistakenly construed as the *maximum* that would be accepted for exchange, which isn't the fact.

Also in the Creole arrangement, to keep "free riders" from complicating the deal, a record was set prior to the announcement. Such an event is impossible in the present Humble case. Additional Jersey shares must be registered with the Securities & Exchange Commission to handle stock exchange for Humble shares. Any record date couldn't be set too far behind the effective date of the SEC registration.

* * *

Oils Buoyant

The new feeling regarding oil issues, which is one of moderate optimism, continued to buoy prices in this group this week. Standard of Jersey nudged its year's high farther along the way to new all-time peaks and well on its way toward duplicating the high of the old stock just prior to a 2-for-1 split in 1951. It now shows a price appreciation over last year's peak approaching 40%.

* * *

Selective demand for quality industrial issues continued to carry the stock market into new high ground for a quarter of a century this week. The pinpoint attention to the good grade issues, with institutional investors and traders engaged in something of a follow-the-leader game, led to some sharp individual moves which is getting to be a pattern for the market this Fall.

* * *

Big Rises in Bendix

Bendix Aviation was outstanding in its group, particularly since it wasn't troubled to any great extent by immediate realizing after each forward surge. It bounded ahead some three and one-half points to start off the week and built up enough follow-through to extend the gain into new high territory by an even larger margin in the subsequent session.

As recently as 1948, General Motors marketed a block of nearly 400,000 shares of Bendix at a price of $28 a share; the going level this week was some three and one-half times higher. Unlike most of the aircrafts, the price for the issue is still somewhat short of being an all-time high. Launched in the rosy year of 1929, Bendix sold well above par only to lose about 100 of those points by 1932 when it sank below $5. It didn't work back to the $50 level until the World War II boom in aircraft issues in 1945.

* * *

Another issue that helped to keep a somewhat spotty aircraft group looking well was the newcomer, Rohr Aircraft, which was able to join the select group of issues able to forge out two-point gains in one session. It was a bit more active than some of the other recent newcomers and appeared to be building up a fair following as a trading pet.

* * *

Aircrafts have been the prime "war babies" for stock traders for a generation but world-wide conditions have helped them shake off the stigma rather well if the high level of prices for the group generally at the moment is the criterion. It leaves the textile group as the leading "war baby" group although in the face of many forecasts that the corner has been turned, they still show no signs of significant recovery from the long depression that has afflicted them since the end of World War II.

* * *

Rubber issues, bouyed by some auto orders and a rash of talk over developments not so tangible, were among the week's better acting issues. Goodyear added as much as five points in one session, Lee Rubber nearly as much in a following one. Goodrich also had its moments of popularity that enabled it, too, to post a historic reading nearly three times the peak of 1929 which stood as a "fabulous" high until 1950.

* * *

Non-ferrous metals also continued the popularity they regained earlier this year when government stockpiling came along to lift the industry out of the doldrums. Among the issues that showed good ability to sprint ahead when conditions were right were Kennecott Copper and Reynolds Metals.

* * *

Sturdy Steels

Steels were no less sturdy as the indications were that profits would hold up well at current production levels with the added hope that Fall demand would pick up importantly to bring production above three-fourths of capacity. Bethlehem Steel showed somewhat better recuperative power after its proposed merger with Youngstown Sheet ran afoul of the anti-trust officials in Washington. Most of the other major producers' stocks were buoyant with National Steel occasionally erratic.

* * *

Chemical shares had occasional spells of popularity, notably DuPont which put on a couple of spirited one-day shows and this time without any particular help from General Motors, in which it is a principal stockholder. Last week part of DuPont's popularity had to be abscribed to the activity in the motor stock. Allied Chemical, however, refused with some determination to follow strength and did a lot of backing and filling that ignored the demand elsewhere in its section. Rohm & Haas, as is its wont, contributed some of the wider gydrations adding up to gains of as much as five points between sales.

* * *

Rails continued in their persistent refusal to follow along with the industrials into new high territory. They are still some points below the high point reached last August before the correction set in late that month. Despite many serious attempts to prove that the present era is one where it isn't necessary for the rail index to confirm the movement of the industrials, they were more than a technical disappointment. A spirited performance by the carriers last week proved to be a one-day affair and dashed many hopes that the list was about to reflect hopes for a marked pickup in business for the rest of the year.

In the absence of group popularity the individual carriers were left to their own devices and there was no dearth of nebulous rumors, such as those that enabled Union Pacific to join the sprinters once in awhile.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

General Nucleonics Com. Stock Offered

Public offering of 59,500 shares of common stock of General Nucleonics Corp. at $5 per share is being made by George F. Breen. The shares are being offered as a speculation.

Net proceeds from the financing will be used by the company to purchase, inventory and sell manufactured products of other companies which are represented by the corporation; to increase the company's manufacturing facilities and to establish a radioactive isotope service. The balance of the net proceeds will be used for general corporate purposes.

General Nucleonics Corp. owns all of the issued and outstanding common stock of its three operating subsidiary corporations, namely, Atomlab, Inc.; The Atomic Center for Instruments and Equipment, Inc., and The Radiac Co., Inc. The Atomic Center for Instruments and Equipment, Inc. is a sales and service organization, distributing the nucleonic and radiological instruments, equipment, and accessories of between 40 and 50 British, Canadian and American manufacturers. Atomlab, Inc. manufactures its own products and also sells under the Atomlab name, products which are manufactured for Atomlab, Inc. under Atomlab, Inc. specifications on a sub-contract basis. The Radiac Co., Inc. is a supplier of atomic and geophysical prospecting instruments for the prospection of uranium, oil and other strategic materials.

Giving effect to the sale of the common shares, and the exercising of warrants carrying rights to subscribe to 56,000 more shares, outstanding capitalization of the company will consists of 185,500 common shares.

With Lloyd Arnold

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Clarence E. Parker has become affiliated with Lloyd Arnold & Co., 404 North Camden Drive. He was formerly with Samuel B. Franklin & Co.

Two With Boren Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Martin Jacobs and Harold H. Starr are now with Boren & Co., 186 North Canon Drive.

Joins Davidson Staff

(Special to THE FINANCIAL CHRONICLE)

MODESTO, Calif.—Graham W. Lightner has been added to the staff of Davidson & Co., Hotel Covel Lobby.

With Hamilton Managem't

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Charles Rudd is now connected with Hamilton Management Corporation, 445 Grant Street.

Hill Richards Add Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John D. Desbrow and John G. Rutner have become affiliated with Hill Richards & Co., 621 South Spring St., members of the Los Angeles and San Francisco Stock Exchanges.

Norris, Allen Limited Formed in Toronto

TORONTO, Canada — Announcement is made of the incorporation of C. C. Fields & Co. as Norris, Allen Limited, with offices at 200 Bay Street. Officers are Bruce A. Norris, President and J. C. L. Allen, Vice-President. F. A. Rose, G. D. Adams, R. Paynter, J. V. Brooks and P. K. Hanley are directors. The new firm will hold membership in the Toronto Stock Exchange.

Bruce Norris

Mr. Norris is also President and director of the Norris Grain Company, Ltd, of Winnipeg and the Norris Grain Company of Illinois.

Bell, Gouinlock to Open New York Office

Bell, Gouinlock & Company, Incorporated is being formed as an affiliate to Bell, Gouinlock & Company, Limited of Toronto. The firm will have offices at 64 Wall Street, New York City.

Newburger & Company In New Offices

PHILADELPHIA, Pa. — Newburger & Company, members of the New York and Philadelphia-Baltimore Stock Exchanges, have announced the removal of their offices to the third floor of 1401 Walnut Street.

Chicago Analysts to Hear

CHICAGO, Ill. — The Investment Analysts Society of Chicago wil hear Donald J. Hardenbrook, Vice-President of Union Bag and Paper Corporation at the luncheon meeting on Oct. 14, to be held at the Georgian Room at Carson Pirie Scott & Company.

Andrews, Downey & Andrews Formed

SYOSSET, N. Y. — Andrews, Downey & Andrews, Inc. has been formed with offices at 132 Jackson Avenue to engage in a securities business. Officers are Dudley C. Andrews, President and Treasurer and Frank Balletta, Secretary. Mr. Andrews was formerly an officer of Andrews, Mahoney & Andrews, Inc. of Mineola.

With E. I. Shelley

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Albert Cooper has been added to the staff of E. I. Shelley Company, Ernest & Cranmer Building.

Ferrell & Ferrell Add

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo. — Mrs. Lenore E. Kyner has been added to the staff of Ferrell & Ferrell, 411½ Main Street.

Joins King Merritt

(Special to THE FINANCIAL CHRONICLE)

BRADENTOWN, Fla. —William L. Aldred is with King Merritt & Company, Inc.

Joins Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert Kaye has joined the staff of Daniel Reeves and Co., 398 South Beverly Drive, members of the New York and Los Angeles Stock Exchanges.

Sterling Convertibility Definitely Deferred

By PAUL EINZIG

Noting International Monetary Fund's attitude toward deferred rather than early sterling convertibility, Dr. Einzig renews his statements of the last two years that restoration of convertibility of sterling will come about only by relaxation of U. S. import policies. Says British official and expert opinion is profoundly disappointed at inaction of U. S. in liberating a number of commodity markets.

LONDON, Eng.—For more than two years the question whether or not the restoration of the convertibility of sterling is imminent has figured prominently on the news pages and in the editorial comments of the financial press all over the world. Expert opinion has been sharply divided as to whether Mr. Butler should restore convertibility in the near future, and also about the likelihood of any such decision. Many writers changed from one camp to the other, some of them repeatedly. The general trend of financial opinion about the wisdom and likelihood of early convertibility has fluctuated from month to month, sometimes from week to week. Only a few months ago a return to convertibility in the autumn was regarded as a foregone conclusion. Even a few weeks ago there were rumors to that effect. It was widely expected that something would happen at the annual meeting of the International Monetary Fund.

Dr. Paul Einzig

Readers of the *Commercial and Financial Chronicle* who follow my weekly articles may have noted that throughout the last two years I emphasized on many occasions that an early restoration of convertibility was most unlikely. This view has now received official confirmation in the annual report of the International Monetary Fund. In the past that institution repeatedly expressed views in favor of early convertibility. On the present occasion, however, it strikes a note of warning against taking that step prematurely.

"The premature attempt to restore the convertibility of sterling in 1947," the report states, "had shown that to try to achieve goals at a single stroke, without appropriate preparations in the main markets, and without assurance that the underlying payments position was sufficiently strong, might provoke reactions that would seriously delay the attainment of the desired end."

Although the report admits that there has been some progress in the desired direction, it emphasizes that there is limit to further progress "so long as United States policies with respect to the import of manufactures and of foodstuffs remain unchanged." The I.M.F. has thus whole-heartedly endorsed the attitude adopted recently by Mr. Butler, and expressed in public statements, that convertibility of sterling is conditional on the progress towards a liberalization of American trade. This is what I have emphasized in these notes again and again, not as an expression of my personal opinion but in order to put readers on guard against the frequent misleading reports about the imminence of convertibility. For, long before British official circles began to link in public statements convertibility with liberalization of American trade, they have privately held strong views on the subject. Until recently they considered it undiplomatic, however, to express such views in public. It is only since it has become evident that the Washington Administration has shelved the recommendations of the Randall Report that British Government spokesmen have arrived at the conclusion that nothing could be lost, and possibly something might be gained, by speaking their minds openly.

Convertibility prospects remain, of course, obscure. But American readers at any rate are now in a better position to assess the prospects of a return to convertibility in 1955. They depend on the chances of a change in American trade policy. It is safe to assume that, should there be a noteworthy degree of liberalization, convertibility would no longer be delayed.

Viewed from this side of the Atlantic, the prospects of substantial trade concessions on the part of the United States are not assessed very high. Even though President Eisenhower is believed to favor the implementation of the recommendations of the Randall Report, the attitude of Congress does not seem to justify high hopes.

British official opinion and expert opinion is profoundly disappointed about the complete lack of response to the unilateral gestures made by Britain for the benefit of the United States in the form of the liberalization of the markets in a number of commodities. The restoration of indiscriminate imports of the dollar commodities concerned, and of the facilities for non-British importers to finance their purchases of dollar commodities with the aid of sterling, has conferred very substantial advantages on American producers. This was done by Britain without asking for any *quid pro quo*, in the hope that the example would be followed by the United States. Up to now there has been no indication of any reciprocity, however. It is felt in London that Britain has given away some very important bargaining counters without getting anything in exchange. It is no wonder the government is now determined not to go further in the same direction unless and until the United States shows more willingness to respond in the same sense.

History appears to have repeated itself. Throughout the 19th century and the first third of the present century, Britain adhered to free trade, in the hope that other countries would follow her example. Since, however, other countries were in a position to benefit by the free admission of their goods to Britain without having to make any concessions on their part in exchange for the benefits received, they remained protectionists. The difference between that experience and the present experience is that, while in the 19th century Britain could afford to make unilateral concessions, at present she is not in the happy position to be able to afford it.

It is widely felt in British political circles—not only among Socialists but also among the government's supporters — that the government has gone too far towards liberalization. Unless its policy becomes justified subsequently by liberalization in the United States, the government is liable to be subject to criticism for having made such unilateral concessions. In particular if as a result there should be a rise in prices—there are already disquieting indications in this respect—and if trade with the Commonwealth should suffer disadvantages without any compensating advantages on trade with the Dollar Area, the government's popularity is liable to suffer.

Apart from any other considerations, the government could ill afford politically, therefore, to go further in the direction of convertibility, unless there should be an appreciable change in the American attitude. As it is, the government has already lost much ground in the country, judging by the result of the recent public opinion surveys. A number of by-elections are due to take place during the autumn. Should their results confirm the increase of the popularity of the Socialist Opposition, it would reinforce the government's determination not to proceed further towards convertibility unless and until this is made worthwhile by American trade concessions.

N. K. MacEwen Opens

ONEONTA, N. Y.—Neil K. MacEwen is engaging in a securities business from offices at 136 Main Street.

Joe Rosenthal Opens

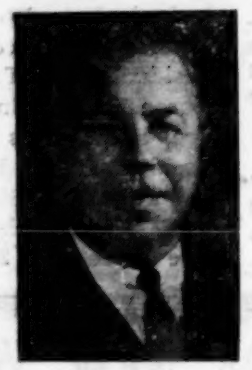
DENVER, Colo.—Joe Rosenthal has opened offices in the Travel Center Building to engage in a securities business.

Mid Continent Inv. & Secs. Corp. Formed

CHICAGO, Ill.—Announcement is made of the organization of a new New York Stock Exchange firm in Chicago, the Mid Continent Investment & Securities Corporation. The new firm will have offices at 231 South La Salle St. and will conduct a general brokerage and investment business. Principals include William W. Sims, President; Joseph J. Spanier, Vice-President and Treasurer, and George R. Griffin, John W. Eustice, and James M. Fox, Vice-Presidents. Mr. Fox will be in New York. Mr. Sims, Mr. Spanier and Mr. Eustice have been on La Salle Street for 25 years.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS


John A. Hill

The election of John A Hill as Director of **The Marine Midland Trust Company of New York** was announced Oct. 5 by James G. Blaine, President. Mr. Hill is President of Air Reduction Company, Incorporated, a Trustee of the National Industrial Conference Board, a Director of the Commerce and Industry Association of New York, and a member of the New York and Massachusetts Bar Associations.

* * *

CHASE NATIONAL BANK OF THE CITY OF NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	[illegible]	[illegible]
Deposits	5,072,422,489	5,174,415,072
Cash and due from banks	1,279,235,787	1,372,624,418
U. S. Govt. security holdgs.	1,382,838,871	1,267,914,789
Loans & discts.	2,134,914,827	[illegible]
Undivid. profits	64,679,889	60,299,390

* * *

THE MARINE MIDLAND TRUST CO., NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	476,268,796	452,127,740
Deposits	435,050,587	409,667,951
Cash and due from banks	147,006,763	138,912,455
U. S. Govt. security holdings	106,282,313	101,515,156
Loans & discounts	210,246,731	200,952,120
Undivided profits	7,200,905	6,880,560

* * *

THE NATIONAL CITY BANK OF N. Y.

	Sept. 30, '54	June 30, '54
	$	$
Total resources	6,016,340,492	5,966,644,957
Deposits	5,487,027,966	5,455,443,656
Cash and due from banks	1,363,720,685	1,385,694,206
U. S. Govt. security holdgs.	1,746,997,034	1,602,710,324
Loans & discts.	[illegible]	[illegible]
Undiv'd profits	59,143,447	57,697,603

* * *

CITY BANK FARMERS TRUST CO., N. Y.

	Sept. 30,'54	June 30,'54
	$	$
Total resources	141,800,281	140,576,328
Deposits	103,931,936	103,187,850
Cash and due from banks	26,799,340	29,781,660
U. S. Govt. security holdings	84,377,355	78,103,601
Loans & discounts	5,278,473	7,513,023
Undivided profits	12,614,112	12,439,461

* * *

GUARANTY TRUST CO. OF NEW YORK

	Sept. 30, '54	June 30, '54
	$	$
Total resources	3,071,966,441	3,019,502,458
Deposits	2,613,811,701	2,559,449,965
Cash and due from banks	745,287,051	628,929,978
U. S. Govt. security holdgs.	910,721,574	985,818,550
Loans & discts.	1,253,012,769	1,208,416,901
Undivid. profits	101,464,703	99,768,418

* * *

MANUFACTURERS TRUST COMPANY NEW YORK

	Sept. 30, '54	June 30, '54
	$	$
Total resources	3,002,165,624	2,972,109,427
Deposits	2,755,226,656	2,740,578,716
Cash and due from banks	847,343,976	863,752,463
U. S. Govt. security holdgs.	944,826,937	906,679,448
Loans & discts.	845,093,173	862,093,128
Undivid. profits	35,759,785	33,953,852

* * *

CHEMICAL BANK & TRUST CO., N. Y.

	Sept. 30, '54	June 30, '54
	$	$
Total resources	2,007,561,138	1,949,723,868
Deposits	1,803,313,276	1,747,677,896
Cash and due from banks	483,956,837	442,164,582
U. S. Govt. security holdgs.	503,310,051	489,127,006
Loans & discts.	706,190,840	715,644,009
Undivid. profits	22,061,838	20,765,732

THE HANOVER BANK, NEW YORK

	Sept. 30, '54	June 30, '54
	$	$
Total resources	1,761,720,977	1,798,021,670
Deposits	1,574,689,126	1,613,905,504
Cash and due from banks	459,692,529	472,617,126
U. S. Govt. security holdgs.	557,224,619	592,825,043
Loans & discts.	638,175,943	657,646,186
Undivid. profits	20,721,437	20,221,388

* * *

IRVING TRUST COMPANY, NEW YORK

	Sept. 30, '54	June 30, '54
Total resources	1,540,961,733	1,487,502,782
Deposits	1,390,358,758	1,336,144,931
Cash and due from banks	377,117,802	367,987,654
U. S. Govt. security holdgs.	441,185,214	397,464,310
Loans & discts.	610,466,222	607,800,691
Undivid. profits	18,918,833	18,367,400

* * *

BANK OF THE MANHATTAN COMPANY, NEW YORK

	Sept. 30, '54	June 30, '54
	$	$
Total resources	1,493,883,782	1,446,959,174
Deposits	1,328,984,375	1,288,824,891
Cash and due from banks	378,584,245	390,188,723
U. S. Govt. security holdgs.	442,163,724	397,767,802
Loans & discts.	556,419,582	552,278,231
Undivid. profits	19,180,696	18,541,908

* * *

THE NEW YORK TRUST CO., N. Y.

	Sept. 30,'54	June 30,'54
	$	$
Total resources	840,827,033	780,441,720
Deposits	746,875,405	687,306,862
Cash and due from banks	237,904,636	195,249,218
U. S. Govt. security holdings	250,110,569	224,163,811
Loans & discounts	307,056,667	324,901,017
Undivided profits	16,203,912	15,528,862

* * *

CORN EXCHANGE BANK TRUST CO., NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	833,708,632	832,295,902
Deposits	775,798,361	774,796,287
Cash and due from banks	212,562,415	215,783,577
U. S. Govt. security holdings	349,276,493	345,673,739
Loans & discounts	208,317,176	213,419,253
Undivided profits	7,329,616	7,315,472

* * *

J. P. MORGAN & CO., INCORPORATED, NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	817,270,678	881,548,261
Deposits	728,468,419	796,267,534
Cash and due from banks	173,037,741	183,647,990
U. S. Govt. security holdings	242,523,346	263,184,597
Loans & discounts	292,171,645	318,482,422
Undivided profits	16,042,276	15,129,717

* * *

THE FIRST NATIONAL BANK OF THE CITY OF NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	703,429,265	734,473,640
Deposits	550,839,629	582,875,445
Cash and due from banks	152,139,101	157,884,307
U. S. Govt. security holdings	194,535,591	194,791,659
Loans & discounts	210,224,084	236,935,137
Undivided profits	13,266,903	13,097,219

* * *

THE PUBLIC NATIONAL BANK AND TRUST COMPANY OF NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	515,560,727	513,744,144
Deposits	458,450,175	458,403,219
Cash and due from banks	109,302,278	121,602,636
U. S. Govt. security holdings	79,102,361	78,725,404
Loans & discounts	284,856,965	[illegible]
Undivided profits	11,113,984	10,694,508

* * *

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	227,506,244	241,251,649
Deposits	199,249,154	206,190,049
Cash and due from banks	50,807,085	49,936,647
U. S. Govt. security holdings	58,215,848	60,029,443
Loans & discounts	47,166,191	54,574,330
Capital and surplus	14,385,284	14,365,284

* * *

THE STERLING NATIONAL BANK & TRUST COMPANY OF NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	133,150,007	136,379,754
Deposits	121,668,867	125,654,261
Cash and due from banks	31,467,212	31,979,748
U. S. Govt. security holdings	38,294,537	42,029,542
Loans & discounts	58,127,987	53,554,568
Undivided profits	1,505,162	1,475,001

GRACE NATIONAL BANK OF NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	132,339,692	134,567,645
Deposits	113,871,309	116,844,445
Cash and due from banks	28,429,683	35,120,161
U. S. Govt. security holdings	45,462,111	42,344,101
Loans & discounts	44,108,508	44,602,290
Undivided profits	1,393,368	1,250,466

* * *

J. HENRY SCHRODER BANKING CORP., NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	99,647,222	117,432,260
Deposits	67,708,691	83,041,980
Cash and due from banks	7,450,303	12,096,388
U. S. Govt. security holdings	41,817,670	54,852,715
Loans & discount	23,940,078	21,764,725
Surplus and undivided profits	4,659,698	4,655,133

* * *

SCHRODER TRUST CO., NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	77,838,479	86,340,967
Deposits	70,934,385	79,665,068
Cash and due from banks	9,471,806	14,095,725
U. S. Govt. security holdings	58,949,365	61,190,484
Loans & discounts	8,356,504	10,044,426
Surplus and undivided profits	3,656,772	3,653,241

* * *

CLINTON TRUST COMPANY, NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	34,233,093	33,172,414
Deposits	31,765,610	30,739,570
Cash and due from banks	9,049,345	9,319,903
U. S. Govt. security holdings	13,714,401	12,195,763
Loans & discounts	8,928,253	9,220,946
Surplus and undivided profits	1,157,542	1,138,746

* * *

BANKERS TRUST COMPANY, NEW YORK

	Sept. 30,'54	June 30,'54
	$	$
Total resources	2,156,370,338	2,125,702,051
Deposits	1,917,817,720	1,900,136,175
Cash and due from banks	494,076,822	528,047,780
U. S. Govt. security holdgs.	536,287,968	506,133,561
Loans & discts.	977,296,696	962,005,291
Undivid. profits	50,866,604	49,118,474

* * *

An extra dividend of one-quarter of 1% a year was declared by **The Lincoln Savings Bank of Brooklyn, N. Y.** for the three month period ending Sept. 30, 1954, according to an announcement made Sept. 28 by John W. Hooper, President of the bank. This is the third time this year that an extra quarterly dividend has been declared and is in addition to the regular dividend of 2½% a year. The figure payable on this date, amounting to **$2,829,715**, will be added to the accounts of more than 260,000 depositors and is the 238th consecutive dividend which the bank has paid. The Lincoln has resources of over $470,000,000.

* * *

A dividend at the rate of 2½% per annum for the last quarter was declared by the directors of **South Brooklyn Savings and Loan Association of Brooklyn, N. Y.**, President Andrew S. Roscoe, reported on Sept. 29. An additional dividend of ½% per annum was declared on installment savings accounts and on income savings account with investment objective. The membership in the Association is said to have reached the highest in its history with approximately 55,000 members, and assets have increased by more than $6 million during the past year, President Roscoe reported.

* * *

On Columbus Day, Oct. 12, the consolidation of the **First National Bank of Bellmore, Long Island** and the **Franklin National Bank of Franklin Square** at Floral Park, Long Island, N. Y. will be formally observed with an "Open House" celebration. The public is invited to attend during the day from 9 a.m. until 9 p.m. A long stemmed rose will be given to visitors, and a "Paper-Mate" pen to all who open a savings account or transfer a present savings account, and to everyone who opens a Regular Checking or a Special Checking account. The complete alterations, it is said, have made the Bellmore Office one of the most modern banking offices in that area. The latest modern equipment and machinery has been installed to handle the varied banking transactions and services which are now available to businessmen and families in the Bellmore area. Arthur T. Roth, President of the Franklin National Bank, in his announcement of the program, extends an invitation to all in the Bellmore area to visit with the Bellmore Office staff and to view the latest banking equipment.

* * *

Joseph Upton, President of the **Queens County Savings Bank of Flushing, N. Y.**, officiated recently at a ceremony to signal the expansion of the bank's main office at 38-25 Main Street at Flushing, Long Island, N. Y., which, it is claimed, will make it "the largest banking floor in Queens, Nassau and Suffolk Counties." Borough President James A. Lundy and George A. Schamel, President of the Chamber of Commerce participated in the ceremony. "The Flushing-Main Street area, one of the old communities in the United States, is now becoming one of the largest transportation, business and shopping sections in the New York area," Mr. Upton said. "It is the juncture point for 19 bus lines serving the North Shore and the subway to Manhattan. During the past few years," he continued, "we have seen the development of a huge parking lot, the modernization of many stores, and the recently completed repaving of Main Street. In addition, Webb & Knapp have announced that construction of their six-story building, at Main Street and Roosevelt Avenue will start next month. Our contribution," Mr. Upton said, "will be the construction of a completely modern two-story bank building which will house the largest banking floor in Queens, Nassau or Suffolk counties. We need it because in the last 15 years our assets have grown four and a half times —from $35 million in 1939 to $155 million today. We are now serving 163,000 savers." Noting that when the bank was founded in 1859 "for what today would be a token number of thrifty people," he added that "at that time we were allowed the use of a room in the Town Hall two hours a day to accept or pay out savings."

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Effective Sept. 15, a stock dividend of $10,200 was declared by the **Peoples National Bank of Norristown, Pa.**, whereby the bank's capital was increased from $510,000 to $520,200.

* * *

The 27-year-old **Broward National Bank, of Fort Lauderdale Florida** has announced plans to construct a $900,000 bank building in the downtown section of Fort Lauderdale. Plans call for the immediate erection of a three-story structure with provisions for five additional floors to be added later. The new building will be in the heart of Fort Lauderdale's downtown shopping area. For customer convenience the bank plans seven drive-in teller windows, one walk-up teller window, and a parking lot with a capacity for 60 cars. Banking services and facilities will take the first two floors. Office space will be available on the third floor. Upper levels will be serviced by high-speed elevator and a two-way escalator. It is understood the Broward National Bank will be the first bank in Florida to offer this two-way escalator service. Foundation work is in progress now and the new building is expected to be ready for occupancy by May, 1955.

* * *

Shareholders of the **Anglo California National Bank, of San Francisco, Calif.**, at a special meeting on Sept. 27, approved a plan for the merger of **The Bank of Eureka** into the **Anglo Bank**, Paul E. Hoover, President announced. Shareholders of the Bank of Eureka likewise approved the plan on Sept. 27. Under the plan, Anglo Bank will issue 50,000 additional shares of common stock, for consummation of the transaction with the shareholders of The Bank of Eureka. As a result, Anglo's capitalization will consist of 1,050,000 shares of common stock and its capital funds will approximate $50,000,000. The shareholders of Anglo Bank will again meet to take action on a proposal to increase the capital stock an additional 262,500 shares. Upon approval of this second increase, Anglo Bank will have 1,312,500 shares of common stock and total capital funds of more than $61,400,000. The Bank of Eureka, which was established in 1889, is the largest independent bank on the California coast north of San Francisco. It has deposits of approximately $21,000,000, total assets of more than $22,000,000 and capital funds exceeding $1,700,000. It is expected that the Eureka bank will shortly become the Eureka office of the Anglo Bank. The Eureka office will be Anglo's 39th in northern and central California and its northernmost as well as its first office on the coast north of San Francisco.

* * *

Directors of the **First National Bank of Memphis, Tenn.**, have raised the bank's stock dividend rate from 12% to 14%, beginning with the payment to be made Jan. 1, 1955 to shareholders of record Dec. 21, 1954. At the same time the board unanimously decided, subject to the approval of the Comptroller of the Currency, to recommend to the shareholders, at a special meeting Oct. 1, two actions:

1. That the par value of the stock be reduced from its present $20 per share to $10 per share with shareholders receiving two 10-dollar shares for each 20-dollar share presently held;

2. That the capital structure of the bank be increased by the issuance of an additional 200,000 shares of $10 par value stock at a price to present shareholders of $30 per share. This sale will produce $6,000,000, of which amount $2,000,000 will be added to capital, raising it from its present $4,000,000 to $6,000,000. It is proposed that $3,000,000 will be added to surplus, raising it from its present $9,000,000 to $12,000,000. The balance will be added to undivided profits, giving the bank a total capital structure, as at the end of 1954 of approximately $21,000,000, divided as follows: capital $6,000,000; surplus, $12,000,000; undivided profits, $3,000,000. Present shareholders will be given pre-emptive rights to purchase the new stock on the basis of one 10-dollar share for each 20-dollar share currently held.

The stock is to be underwritten by a syndicate composed of Merrill Lynch, Pierce, Fenner & Beane, and Equitable Securities Corporation, along with a group of local bankers. Commenting on the board's action, President Norfleet Turner said, "Memphis has experienced and is still undergoing a tremendous growth, and the resulting needs of business and industry for adequate working capital and bank credit must be recognized if its progress is to continue. The board's action in reducing the par value of First National shares will broaden the bank's ownership and attract new investors, while the proposed increase in capital funds will strengthen its leadership in the financial field and enhance its ability to meet the credit needs of a rapidly growing community."

* * *

Stockholders of the **First National Bank in Dallas, Texas**, at a special meeting on Sept. 21 unanimously approved a previously voted directors' recommendation for a capital expansion plan that would increase the capital stock

of the bank to $20,000,000, raise its surplus fund to $20,000,000, and add $1,000,000 to the undivided profit account. The increase would be accomplished by the sale of 200,000 additional shares of $10-par-value stock at $25 per share. The new shares will be offered to present shareholders at the rate of one share of new stock for every nine shares of outstanding stock. Warrants entitling the stockholders to subscribe for the new stock were mailed Sept. 21 to shareholders of record as of 2 p.m. They will have until Oct. 6 to exercise their rights. The enlargement of capital structure will give First National total capital working funds of more than $50,000,000, which in addition to $20,000,000 capital and $20,000,000 surplus will include undivided profits of about $7,500,000 and a reserve of approximately $3,250,000 for contingencies. The $5,000,000 new capital will be divided $2,000,000 to increase the capital stock of the bank from $18,000,000 to $20,000,000, $2,000,000 to raise the surplus fund from $18,000,000 to $20,000,000, and $1,000,000 added to the undivided profit account. Action approving the recommendations for the increase in the bank's capital was taken by the directors of the bank on Sept. 1 as noted in our issue of Sept. 9, page 979.

* * *

Directors of **California Bank of Los Angeles** on Sept. 22 voted to issue 200,000 shares of common stock at $35 a share (par $12.50) to be offered through rights to stockholders of record Sept. 27, at the rate of one new share for each four shares held.

Fractional shares of stock will not be issued. However, both fractional- and whole-share warrants may be bought or sold from Sept. 27, date of the issue of warrants, until Oct. 27, the expiration date. With the issue of new shares, the bank will have outstanding 1,000,000 shares. From the $7,000,000 to be realized through the sale of stock, $2,500,000 par value of the new shares will increase the bank's capital stock from $10,000,000 to $12,500,000. The remaining $44,500,000, together with $3,000,000 transferred from undivided profits will be added to surplus, bringing that figure to $17,500,000. With undivided profits of more than $6,000,000 the bank's total capital funds will then exceed $36 000,000. Blyth & Company, Inc., will head a syndicate of investment houses which will underwrite the unsubscribed stock.

* * *

Directors of the **Anglo California National Bank, of San Francisco,** at a regular meeting on Sept. 14, designated Oct. 5 as the date for a meeting of the shareholders to take action on a proposal, recommended by the board, that the capital stock of the bank be increased, it was announced by Paul E. Hoover, President. Under the proposed plan, the capital stock of the bank would be increased 262,500 shares. These would be sold at $45 per share. Shareholders would be permitted to subscribe for the new stock at the rate of one new share for each four shares held. Transferable subscription warrants would be issued to shareholders of record at the close of business Oct. 5. According to the plan, the stock offering would be underwritten by a group headed by Blyth & Co., Inc. At the present time, Anglo Bank has one million shares of $20 par value stock outstanding. About Oct. 1 these would be increased to 1,050,000 shares following completion of the pending merger with the **Bank of Eureka.** After sale of the proposed 262,500 shares, there would be a total of 1,312,500 shares outstanding. Anglo's capital, surplus, undivided profits and unallocated reserves presently amount to approximately $47,900,000. After the proposed financing and after giving effect to the merger with the Bank of Eureka, Anglo's capital funds would aggregate more than $61,400,000. The proposed additional capital funds are considered sufficient to support the expected growth of the institution for some time to come, President Hoover said.

* * *

Promotion of Mrs. Marjorie S. Hitch, heretofore Assistant Cashier, to the post of Assistant Vice-President at the San Francisco headquarters of the **Bank of America,** is announced by President S. Clark Beise. Mrs. Hitch is a member of the bank's International Banking department, which she first joined as a clerk in 1927, and which she has served continously in various capacities, including foreign exchange, loan servicing, and foreign bank relationship arrangements. Long active in the California Federation of Business and Professional Women's clubs, she is currently President-Elect for the Peninsula district, which comprises 34 clubs from San Francisco to King City, and is Finance Chairman for the State Federation of 300 clubs in 11 districts.

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Bernard Giannini, Vice-President of the **Bank of America of San Francisco, Calif.,** and nephew of the late A. P. Giannini, founder of the bank, died on Sept. 10. He was 43 years old.

He joined the bank's staff in 1941 and became manager of the Sunset-Clark branch in Hollywood in 1946. Later he entered the Los Angeles main office and was promoted to a Vice-Presidency.

Guild Films Common Stock All Sold

The offering of 250,000 shares of Guild Films Co., Inc., common stock, which was made on Sept. 29 by Van Alstyne, Noel & Co. at $4 per share was heavily oversubscribed and the books closed.

Net proceeds from the sale of these shares will be used for the payment of loans from banks, payment of factors loans, and payment of loans from stockholders. The balance will be added to working capital and will be used for the payment of other liabilities and for the financing of future film productions.

Guild Films Co., Inc. is primarily engaged in the business of producing and distributing low-cost, high-quality television program series of various types on motion picture film for nationwide exhibition by television stations. One of the company's principal current program series is the television show entitled Liberace, which is both produced and distributed by the company. The Liberace program series is exhibited over more television stations than any other television program series.

In addition to the Liberace television show, the company currently is handling the following shows "Life With Elizabeth," "Joe Palooka Story," "Frankie Laine," "Florian ZaBach," "Guild Sports Library," and "Liberace Radio Show." Other shows which are not yet in distribution which the company will handle are the "Conrad Nagel Theatre," "Connie Haines," and "It's Fun To Reduce."

John J. Zeeb in Buffalo

BUFFALO, N. Y. — John J. Zeeb has formed John J. Zeeb & Co., Inc., with offices in the Genesee Building to conduct a securities business.

Opens Branch

DAYTON, Ohio — Remmele-Johannes & Co. has opened a branch office at 1126 Oakwood Avenue under the management of George P. Johannes.

Purchasing Agents Report Business Rise

A composite opinion of purchasing agents who comprise the National Association of Purchasing Agents Business Survey Committee, whose Chairman is Robert C. Swanton, Director of Purchases, Winchester Repeating Arms Plant, Olin Mathieson Chemical Corporation, New Haven, Conn. The favorable points in the industrial business survey were brighter during September. Again, there is a sharp reversal of the recessionary trend of a year ago and a step-up in September over August. New orders and production increases outbalance decreases 3 to 1 in the reports, while the order improvement continues to be better than production. Prices show more strength and stability. Inventories are lower, with a strong trend to stabilize. Employment is up, with good prospects for further increase in October. Buying policy remains conservative—60 days and under—with a further slight extension of future coverage.

Robert C. Swanton

To the special question on home construction, the replies from a hundred localities indicate a continued strong market. Very few areas show a decline in operations. Generally, the lower priced new homes are selling fast. The medium and higher cost homes are moving well, though buyers have become more selective. Old houses are slow and declining in price.

Reviewing the statistics and the comments in the September industrial Purchasing Agents' survey, it is apparent that a normal seasonal pickup is in progress and may continue to improve over the balance of the year. No quick spurt is expected, but a gradual, steady increase in activity in a highly competitive buyers' market.

Commodity Prices: Strength and stability mark the industrial price structure in September. While the August trend to advance has abated somewhat, the number reporting decreases is the lowest since March, 1951. Fabricated items of steel, aluminum, lead and zinc are beginning to reflect the higher prices of the base materials. Keen competition is retarding a general upward movement.

Inventories: Industrial inventories declined again and at slower pace recorded last month. The current trend is to stabilize, with a slight move to increase, caused by improved production demands and short-time delivery required by customers. Stocks are generally in balance and most materials are readily available.

Employment: Industrial employment is up. 24%, the highest number since March, 1953, report additions to pay rolls, while the lowest number since September, 1953, record lower employment, some of this due to temporary Summer help returning to school. Manufacturers supplying automotive parts are optimistic for an upswing in October as producers are making commitments and releasing schedules. Continued high home building and other construction are expected to maintain substantial employment in these fields.

Heller Bruce Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Robert H. Rich has become associated with Heller, Bruce & Co., Mills Tower.

Joins Professional Service

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Burdett R. Harrison has become connected with Professional Service Plan, 1122 Crenshaw Boulevard.

Walston Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Alfred R. Masters, Jr. has been added to the staff of Walston & Co., 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

A better undertone seems to be developing in the government market and this is attributed to the quiet but improving demand which is appearing for certain Treasury issues. So far, there has been no rush to get the securities which are wanted because there had been no shortage of offerings. This has also been favorable to the buyers since they have been able to get the securities they have been after with practically no effect upon prices. The other factor which is tending to make the feeling better in the government market is the drying up of offerings which takes place from time to time.

The near-term obligations continue to have a good demand in spite of switches out of these securities into the higher-income obligations. The longer-term governments, according to advices, are going into strong hands, even though this has had no appreciable effect upon quotations so far.

New 1⅝% Notes in Demand

It is believed in some quarters that the demand for government securities will improve in the not distant future. The new money financing of the Treasury is in the process of being digested, and although it will take a bit more time to get it cleaned up, there is no doubt about the new note moving into strong hands. There has been a substantial amount of switching by some institutions to make way for the 1⅝% issue. On the other hand, purchases of the two-year-seven-month obligation with new funds is also sizable, because there are investors that are building up important positions in the new offering.

Although the 1⅝% of May 15, 1957 did not act as well as some money market specialists had expected, the feeling is still strong that this issue will eventually sell at the modest premium which was anticipated in some quarters. According to reports, there was practically no "free riding" in the new note, which is favorable as far as future market action is concerned. As against this, many of the smaller commercial banks were not too greatly interested in the new note because the yield was not large enough to meet their needs. This, however, has been offset somewhat by purchases that were made by other investors, such as pension funds, insurance companies and charitable organizations.

Higher Yielding Treasuries Attract Interest

Although, nongovernment securities continue to appeal to institutional investors, there is a minor increase noted in the demand for the higher yielding Treasury obligations. Part of this demand for the longer-term government bonds is coming from the smaller life insurance companies, with public pension funds also among the important buyers of the most distant governments. It is reported that these same pension funds have also been switching among the various long-term governments, with some of the 3¼s being sold in order to make purchases of the 2½% bonds. The out-of-town commercial banks have likewise been making somewhat enlarged purchases of the higher income governments because the demand for loans and mortgages have not been holding up as well as some of these institutions had expected.

Accelerated Demand Anticipated

There is more than a passing amount of talk about the demand which will be developing in the future for the higher income government obligations. It seems as though the feeling is growing in some quarters that the larger institutional investors are not going to find it as easy to put funds to work in the future as they have in the past. It is believed that the demand for funds for private placements and mortgages will tend to taper off with the passing of time. Although the placing of funds by institutional investors is not a problem at this time, it would not take much to change this condition.

Partial Liquidation by Casualty Companies

It is indicated that some of the fire insurance and casualty companies have been modest sellers of the Treasury obligations. There has been selling in the shorter-term issues by these concerns, with reports now that some of the longer-terms have also been liquidated. Part of this liquidation is an aftermath of the hurricane, while on the other hand, higher income nongovernment obligations have been used to replace the lower income treasuries so that earning will not be too greatly effected.

Trading positions, according to advices, are pretty much on the thin side in the long government bonds, and it is believed that not too large a demand would have quite an influence upon prices of these securities.

FLB Offer Planned

It was announced on Oct. 1, by Thos. A. Maxwell, Jr., Director of Land Bank Service, that the 12 Federal land banks are making arrangements for a public offering of consolidated Federal farm loan bonds primarily for the purpose of providing funds for the redemption at maturity, Nov. 1, 1954, of two issues of consolidated bonds, one dated Nov. 1, 1951, outstanding in the approximate amount of $70,600,000, and the other dated Jan. 2, 1953, outstanding in the approximate amount of $100,500,000.

Mr. Maxwell stated also that this will be a cash offering; that no preference will be given to holders of the maturing bonds in making allotments of the new bonds; and that the offering will be made by the banks' fiscal agent, Macdonald G. Newcomb, 31 Nassau St., New York 5, N. Y., who will announce the time and terms of the offering at a later date.

Max Jacquin, Jr.

Max Jacquin, Jr., partner in Jacquin, Stanley & Co., passed away Sept. 27.

New Goodbody Branch

HAGERSTOWN, Md. — Goodbody & Co., members of the New York Stock Exchange, have opened a branch office at 17-19 North Jonathan Street under the management of Joseph H. Dagenais, Jr. Mr. Dagenais was formerly local manager for Reynolds & Co.

Perpetual Boom: A Mirage

October issue of "The Guaranty Survey," monthly publication of the Guaranty Trust Company of New York, discusses the mirage of perpetual boom, and concludes, those who demand a perpetual boom, demand the impossible.

In an article, entitled "Mirage of Perpetual Boom," the October issue of "The Guaranty Survey," the monthly publication of the Guaranty Trust Company of New York, discusses the pros and cons of measures to create and maintain "full production," and "full employment" and comes to the conclusion that we must live with a reality that indicates a perpetual boom is impossible.

Concerning this, the editorial states:

"Those who demand perpetual boom are demanding the impossible. In the effort to accomplish the impossible, they would resort to inflation as a substitute for needed readjustments. The insidious danger of the proposal lies in the fact that, for a time, it might seem to work. No one denies that a sovereign government can increase the money supply, augment "purchasing power," and thus temporarily stimulate demand. Such a policy, if pursued with enough subtlety and restraint, might go on for some years before its inherent weaknesses and destructive effects became fully apparent.

"Meanwhile, however, would not the underlying maladjustments remain uncorrected, and perhaps be aggravated? Would not larger and larger doses of inflation be needed as the forces making for recession gathered strength? Would not the people sooner or later become aware that their currency was steadily losing its value and could not safely be held? Then what could prevent an ultimate economic collapse, either through drastic deflation or uncontrollable inflation?

"Economic growth with a minimum of interruptions is, of course, much to be desired. This, however, does not and cannot mean perpetual boom. Interruptions there must occasionally be, and something less than complete utilization of resources there must always be. To treat these departures from theoretical perfection as "national economic deficits" to be resisted by means of inflationary stimulants would be to pull down the tree in the effort to reach the last fruit at the top.

"Government and business can best contribute to stability and growth by endeavoring to avoid or minimize booms instead of trying to perpetuate them, and by facilitating needed readjustments instead of preventing them. In periods of expansion this implies restraint, especially credit restraint. In periods of contraction it implies the courage and patience that are born of long-range perspective. At all times it implies the maintenance of free markets, the governing and regulating mechanism of a free economy."

Continued from first page

The Outlook for Private Foreign Investment

ments relax the grip of their exchange controls. These are all marks of an improvement in the financial position of many countries of the free world.

Shift in Payments

These changes have been reflected in a profound shift in our own balance of payments. During the years 1946 through 1948 the transactions of the rest of the world with the United States resulted in our collecting four and one-half billion dollars in gold and in dollar balances and investments from foreigners; that is, they paid us this amount to settle their accounts. In 1949, we were approximately in balance. But in the past four years, from 1950 through 1953, the reversal was pronounced, and our transactions with the rest of the world added about $7.7 billion to foreigners' assets in gold and dollars. Thus, for the postwar period as a whole, we have not drawn reserves away from the rest of the world, but instead, have contributed to them.

This has been the end result of our trade policy, our customs reforms, our aid policy, our military expenditures, and our private and public investments abroad. In the current year the same trend is continuing, and at present rates another billion and one-half dollars will be available for building up foreign assets in 1954.

Durability in the balance of payments in a world subject to events changing as rapidly as those of our generation is not an easy thing to assure. But the record of the past four years is favorable.

In many countries, however, there is scarcity of investment capital and a pressing demand for funds for development.

All of us in the free world must be ever mindful of the extremely low standards of living which exist in many parts of the globe. In some countries, very low standards of living exist where natural resources are bountiful. In others, rapidly growing populations are pressing hard on existing resources, but even in these cases the absence of modern techniques of cultivation and tools of production, low standards of education, and poor conditions of health, present a challenge and offer an opportunity for improving the lot of many millions of mankind. We must keep these problems to the forefront and cooperate in every practical way to bring modern science, tools and technology to bear upon them. But private investment is not made for philanthropic reasons. It is made for profit that is freely available to the investor on principal that is safe.

Nationalistic trends resulting in laws that discriminate against investors from other lands and in restrictions jeopardizing either principal or the receipt of income slow down investment from outside. Vacillating policies of governments can be warnings to prudent investors to look elsewhere.

Investment Growth

Nevertheless, in many places private investment has been making a substantial attack on the problem of promoting development.

At the end of 1953, our private investors had investments in foreign lands of approximately $23.5 billion on which we have recently been averaging earnings of approximately $1.5 billion a year, much of which came to us in the form of needed goods imported through foreign subsidiaries and branches of United States corporations.

At the same time, during the past six years, our private investors were providing to other countries about $900 million a year in newly exported private funds, net of repatriation of capital. In addition to these exports of new dollars, about $600 million a year in earnings by foreign subsidiaries of U. S. corporations abroad were reinvested directly without being brought home and thus do not appear in either of the two figures I have just cited. In all, new capital provided by private sources from this country has reached at least one and one-half billion dollars a year. As I suggested previously, this total is about three times the rate of public lending by government agencies during the same period, net of amortization and repayments of principal on U. S. Government loans.

Flow to Canada

A very substantial proportion of our private investment has been made in Canada, where conditions have been particularly attractive. Nevertheless, we estimate that private investors in the United States have been placing as much as $900 million a year in the rest of the world during the past six years, including the re-invested earnings which I mentioned a moment ago. Even if we make a rough estimate and take out all investments in Canada and all investments anywhere in petroleum enterprises, we would have left about $600 million a year which has financed a wide variety of other enterprises outside of Canada. These amounts represent a very substantial supplement to local savings.

Some concern has been expressed that the rate of new private investment appeared to slacken rather sharply in 1953. Actually, this appearance was accounted for largely by security transactions and a reduction in commercial credit; direct investments by U. S. corporations continued at about the rate of previous years. I am happy to report that during the first half of 1954 our private investors have placed $344 million in new capital abroad, even without allowing for re-invested earnings. At an annual rate this is a larger outflow than in the peak post-war year of 1950.

What about the prospects for continuance of this flow or its increase? The prime factor which will determine this is the establishment of confidence in the country seeking investments among investors abroad.

Ordinarily it takes time to build confidence. As with individuals, it is best established by a definite course of good conduct over a period of years. The old saying that "actions speak louder than words" was never more apt. Moreover, as is frequently pointed out, the progress of years in establishing confidence can be shaken overnight. But long-continued good behavior is not always required. Governments change and, even more important, the thinking of the great mass of the people of a country can also change either for better or for worse. It is the real spirit of the people that is most important. They either resent the foreigner and his operation or welcome him as a well-recognized means of more rapidly improving their own lives, and so express themselves by their conduct and through their governments. That is the real flag of invitation or of warning.

Moreover, foreign capital is not so different from capital at home. It is attracted to countries where conditions are also favorable to the local investor. No country can reasonably hope to attract foreign investors if its own savings are seeking shelter abroad. Inflation or unfair treatment from popular resistance affects all investors whatever their nationality.

It is hardly necessary to discuss in detail the familiar types of deterrents which adversely influ-

ence the investor today. It is probably enough to mention that some of the principal ones are threats or a history of confiscation or discrimination.

There are also the risks associated with exchange restrictions and multiple rate systems which are both complex and subject to considerable instability. An abrupt aud sharp depreciation can seriously impair the fruits of past efforts for the foreign investor. Restrictions on transfer present a constant fear to the investor that he will find himself queueing up at the end of the line to receive permission to transfer his income into the currency he needs. In many of these areas the members the the International Monetary Fund are cooperating to provide a better basis for the flow of international capital.

Sound large-scale private investment abroad can only result from assurance of the security and the right of ready repatriation of principal and an opportunity for greater profit than at home.

The Investor's Alternative

The private investor has a choice between his own market and opportunities in foreign countries. Whereas, here, there are good possibilities open to him in his own country every day, he will need some additional inducement to undertake the extra risks of going to foreign lands to cope with the differences in language, law and customs. He will want to be doubly sure of his business associates abroad. And he will be slow to go if he feels that his activities will be approached in a general atmosphere of criticism rather than one of warm welcome.

Of our own substantial direct private investments abroad, more than $6 billion is connected with petroleum and mining enterprises. These funds go where the resources are to be found, and when they are needed, and when the pulling power is great enough to overcome the many obstacles, both natural and man-made.

In the area of manufacturing or merchandising, such considerations are much less compelling. The economic inducements must persuade the foreign investor that his chance for profit is greater.

On the other hand, there may well be more resistance from a feeling of nationalistic possession in the case of the development of natural resources than when only manufacturing or merchandising is involved. And the large size of the investment required and the length of time in which it can normally be returned is far greater for natural resources than in manufacturing or trading lines so that greater security of principal and return of profit must be assured. But there is no way in which a country can develop faster for the rapid improvement of the lives of its own citizens than by the use of foreign capital in turning its natural resources otherwise lying dormant into jobs and homes and better living for the numbers of its people that will be so employed.

Competitive Yields

The high yields of common stocks in the United States have been a powerful attraction for the private investor. During the past year, the growth in confidence and the supply of capital for investment here has brought somewhat lower yields. This may provide some stimulus to interest in investment abroad where the assurance of security and the lure of higher profits is sufficiently attractive. Special tax consideration and other methods of stimulation can also contribute to increased interest in foreign fields.

What are the policies which attract private capital from abroad? I think they can best be summed up in a simple way: security and the right of ready repatriation of principal and attractive return.

It is not unlike the conditions which induce two individuals to embark on a common venture. There must be mutual confidence. The private foreign investor must be really wanted and welcome not just by the government at the time, but by the people as well and for a long time, because they are truly persuaded and believe that by the use of his money they can better themselves faster and further than they can alone. They must be willing and glad to pay a reasonable price for the risk involved and must show by a history of fair dealing that after the risk has been once undertaken and when success for both has been won, that they will then not go back on their bargain and will not, through direct action or ruse or sharp practice of any kind, seek to enlarge their fair share of the original basis on which the joint enterprise was begun.

If governments and laws are responsive to such a conviction of the people, their country will have little trouble in obtaining private foreign investment for any venture within their borders that can properly earn an attractive return.

I want to emphasize that we have been discussing private investment abroad as distinguished from Government programs. While much of the criterion for investment is equally applicable to both there may well be inducements in the latter case which would go beyond those to be properly considered in the former.

For our part — that is, in the United States—surely our greatest contribution will be to maintain a high level of economic activity and income in the United States, and thus to provide a reservoir of venture capital. If we can proceed with mutual trust and confidence I am sure that, as President Black has so well said, we will, through the channel of private investment as well as the efforts of the International Bank, succeed in converting a revolution of expectancy into first a practical business-like approach and then into a real revolution of achievement.

Lorne C. Smith Joins H. Hentz & Co.

H. Hentz & Co., 60 Beaver St., New York City, founded in 1856 and one of the oldest members of the financial community, long active in securities and commodities and engaged in underwriting for several years, is expanding its activities in the underwriting field. In line with this expansion program, Lorne C. Smith has joined the firm as Manager of the underwriting department.

Mr. Smith attended Massachusetts Institute of Technology and prior to his association with H. Hentz & Co. was in the underwriting division of Paine, Webber, Jackson & Curtis for three years. For the seven preceding years, Mr. Smith was Regional Supervisor of the institutional and underwriting department for the entire Midwest for Merrill Lynch, Pierce, Fenner & Beane.

C. N. Davidson Opens

DETROIT, Mich.—C. N. Davidson and Company has been formed with offices in the Penobscot Building to engage in a securities business.

Form Justin Steppler, Inc.

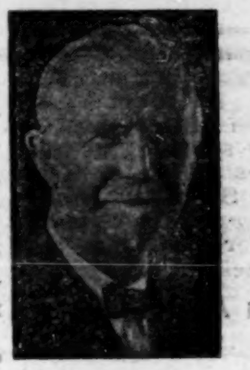
Justin B. Steppler has formed Justin Steppler, Inc., with offices at 30 Broad Street, New York City, to conduct a securities business.

Importance of Making a Will

By ROGER W. BABSON

Mr. Babson, commenting on people who have property, but fail to make a will, points out difficulties and evils which may result from absence of a will at death. Says wills are not expensive, and temporary wills are helpful.

Everyone should employ a lawyer and make a will at once, and re-read it once each year. Over 70% of those who die each day leave **no** will. Inquiry shows, however that a large percentage of these careless people have **some property**. When they die without a will, this property usually goes to someone whom they don't want to get it. Making a will is especially important if your name is Smith, Brown, Jones, or some equally popular name. (If you have any doubt as to the number of people having your name, just refer to any large city telephone directory.) If you happen to own a house when you die, your family may get hundreds of letters claiming relationship.



Roger W. Babson

Probably the Probate Court will throw out most of these claims as fraudulent; but some may be left whom your family must "buy off" before a clear title can be given to the real estate or the stock or bond which you own. I am much troubled by the fact that the **number** of stockholders and government bondholders is increasing so much faster than the WILLS are being written.

The Great American Lottery

Each year about $500,000,000 are paid by insurance companies for the 40,000 people killed in automobile accidents. Most of those killed leave no WILLS, yet they get "awards" of from $10,000 to $20,000 or more.

What persons would you like to have receive your part of this $500,000,000 in case you should be killed? It depends upon the laws of your state; but the chances are it may go to "relatives" whom you never saw. Hence, before you take another auto ride, you should make a will stating to whom you want this award to go in case you do get killed. I forecast the time may come when states will not be allowed to issue auto registrations to those 21 and over unless the applicant swears he has made a WILL.

Fires, Hurricanes, and Other Casualties

Every up-to-date corporation and employer carries liability insurance to protect workers and customers. You do not need to be in an automobile to get accidentally killed. I see by the newspaper that about 90 New England people were killed by hurricanes this past month; none of these people had any warning. Many more are burned to death each week somewhere.

Perhaps you are included in some Group Life Insurance Plan. These plans pay, regardless of how you die. You do not have to be killed in an automobile or any other kind of accident in order to get such an insurance award. You may die from pneumonia, polio, heart attack, or some other trouble which comes on suddenly.

Wills Are Not Expensive

For some foolish reason, most people do not like to visit a doctor, dentist, or lawyer, unless in pain or some other trouble. This is all wrong. These men will treat you fairly. And this surely applies also to lawyers whom your bank recommends.

Every reader of my column has a savings deposit with some bank. These banks want to help you in many ways, without charge. If you have not made a WILL, go to your bank tomorrow and ask your banker to recommend some lawyer who can make a WILL for you at a fair price. You may know some lawyer yourself; but you should be sure he knows how to make legal WILLS which "hold water" and cannot be broken.

M. G. Flegal Opens

SALT LAKE CITY, Utah—Melvin G. Flegal is engaging in a securities business from offices at 26 West Broadway under the firm name of Melvin G. Flegal & Co.

Toronto Bond Traders Elect J. C. Moorehouse

TORONTO, Canada—J. C. Moorehouse of Deacon, Findlay, Coyne Limited was elected President of the Toronto Bond Traders' Association for the 1954-55 season at the Annual Meeting of the Association. Other members of the new Executive are: W. Sullivan, Equitable Securities Canada Limited, Vice-President; M. A. Brown, Dominion Securities Corpn. Limited, Secretary; S. A. Spidle, Collier, Norris & Quinlan Limited, Treasurer.

S. Cox, Bankers' Bond Corporation Limited; J. F. Van Duzer, Mills, Spence & Company Limited; W. J. Scott, Gairdner & Company Limited; G. H. MacFarland, Nesbitt, Thomson & Company Limited, and F. Osborne, Imperial Bank of Canada, will serve as Committee members on the new Executive.

B. C. Scott, Dominion Securities Corpn. Limited, Past-President will be the ex-officio member for the ensuing year.

Continued from first page

Outlook for Business And Agriculture

1812, the War Between the States and World War I. In each case, it carried prices below their pre-war level. This pattern, laden with disaster, has thus far not been in evidence following World War II.

Those who prophesy prices and business activity by reading the charts of the past have done poorly during the past decade. Economists of the newer school, who watch aggregate income, savings and investment, have done somewhat better. Perhaps the best record during the past 10 years, so far as predictions are concerned, has been compiled by politicians of whichever party was in power, who, untrained in economics, simply predicted greater and better things for the American economy.

Does the experience of the past decade mean that we are in a new era, that with the new tools for fiscal and monetary control, deflation and economic contraction are no longer a threat? This would be a rash conclusion indeed; it was made before, during 1920, and was proved to have been in error.

But it would be equally rash to say, as some do, that nothing has been learned about stabilizing the economy during the past 30 years, that the historic pattern of postwar deflation is merely delayed, and that it is inevitable.

In May and June of 1953, signs of economic contraction began to appear. Prices of raw materials, including farm products, had been soft for some time. This softness slowly spread to finished goods. Credit tightened, industrial activity diminished, and unemployment began to creep up.

If the year had been 1923 instead of 1953, with the knowledge and inclination to intervene in economic affairs as it was at that time, little would or could have been done to counteract this downturn. It might easily have snowballed and developed into a major deflation. But it did not.

Federal Reserve authorities responded with a degree of promptness and vigor for which there is no close parallel in our central bank history.

In two months, the Federal Reserve System purchased $1.2 billion of United States Government securities, thereby increasing the reserves of member banks.

Reserve requirements were reduced.

The Treasury managed its affairs so as to facilitate the borrowings of business firms and state and local governments.

Substantial tax reductions were made effective.

The contraction was brought to a halt. Industrial production leveled off at about 10% below the peak, where it has stayed for about the past seven months. President Eisenhower was able to report, six weeks ago, that 1954 would be the second best year for the American economy, exceeded only by the year 1953.

No one will ever be able to measure the effectiveness of our fiscal and monetary policy during 1953-54. No one knows what lies down the other fork of the road. In any case, major deflation was averted. The experience of the past 12 months suggests that there are many tools in the kit of economic stabilization and that there is a willingness to use them.

The Kit of Tools

Let us look at some of these tools.

One of the most important is borrowing and taxing policy as a means of increasing the amount of consumer income available for spending. This tool has always been available, but it previously involved relatively small sums and there was little inclination to use it. In the '20s, for example, Federal taxes represented less than 5% of the gross national income. In 1953 they totaled about 20% of the gross national income, or $71 billion, a truly massive sum. Changes in the amount of tax revenue, relative to Federal expenditures, can greatly increase or decrease the amount of money in the hands of consumers and hence influence the level of economic activity.

Direct intervention in various fields helps to check what might otherwise become a downward spiral.

Regulation of the stock market and of the commodity exchanges introduces a degree of stability into an area notoriously susceptible to psychological waves of optimism and pessimism.

Federal Deposit Insurance makes practically impossible a banking debacle such as was experienced in 1932-33.

Farm price supports help apply the brake to a price decline in agriculture.

Unemployment insurance, though a poor substitute for a job, nevertheless provides a helpful second line of defense.

The arsenal of weapons at the disposal of government is formidable indeed. In addition to the items above mentioned, it includes public works, accelerated depreciation for defense plants, control of exchange rates, and the traditional credit controls of the Federal Reserve System.

There is now written into law the Employment Act of 1946, which provides the mandate "to promote maximum employment, production and purchasing power . . . in a manner calculated to foster and promote competitive enterprise and the general welfare."

More important, there is written into the mind of elected public officials the fact that voters will not tolerate severe deflation. In the 31 presidential elections since price data became available, there have been only two occasions when people failed to maintain a party in power on a rising price level; with prices falling, there have been only two occasions when they failed to turn them out.

Need Have No Fear of Deflation

I conclude from this review that the number and effectiveness of the tools for increasing economic stability have been greatly increased, and that the compulsion to use them has been correspondingly increased. It would follow, in my opinion, that fear of deflation such as was experienced during the '30s need no longer becloud one's business judgment. Economic fluctuations and deflation undoubtedly will continue to plague us in the years ahead, but they are likely to be comparable with those of 1937-38, of 1948-49, and of 1951-53. There appears to be justification for the hope that we can shift from war to peace without major deflation. Speaking of price levels, we can say that what goes up need not necessarily come down.

The reason for considering the overall prospect for the economy is that prosperity in agriculture depends to a marked degree on prosperity in the general economy. Inflationary periods are generally marked by agricultural prosperity; deflation is disastrous. Inflation brings windfall profits; deflation brings undeserved losses. Both cause unbalance and a distortion of the price structure. When the general level of prices is reasonably stable, necessary adjustments in agriculture occur with relative ease.

Agriculture is now in the midst of adjustments from wartime to what we hope will be a continuing period of peace. These adjustments have thus far taken place in the environment of a resonably stable general price level. While these adjustments have been difficult, they would have been far more painful if they had occurred during a period of sharp deflation. And adjustments which remain to be accomplished will be greatly facilitated if the historic pattern of sharp postwar deflation can be avoided.

I am not now speaking of natural disasters, such as drought, from which the Southeast is suffering. These are other problems, calling for programs and policies of a special sort.

Agricultural Adjustments

The adjustments which agriculture is making may be placed in three categories.

The first has to do with the overall structure of prices and costs, or the price-cost squeeze.

The second is concerned with the total production potential.

Third is a series of problems associated with particular commodities.

The price-cost squeeze which agriculture is experiencing is largely the result of the deflation we have experienced during the past three and a half years. As was said before, this deflation was mild as compared with previous postwar declines, but the general price level declined 5%. Agricultural prices, being more than ordinarily responsive to inflation and deflation, declined in price 20% during this period.

But farm costs do not respond readily to deflation. Machinery, freight rates, fertilizer, fuel, taxes, interest, insurance and other farm costs are based on long-time contracts, are regulated by government or are established by industrial management. In any case, they do not move downward quickly.

Falling prices and stable costs have resulted in the price-cost squeeze. This is a problem associated with but nevertheless different from the problem of our high capacity for agricultural production The price-cost squeeze is felt by almost every segment of American agriculture. It is best measured by the parity ratio, which stood at 113 three and a half years ago and today stands at 89. The 113 was extremely favorable and admittedly temporary, the result of inflation. The 89 is not far from what might be called a peacetime normal. If one averages our experience during the past 40 years and omits the wartime and depression periods, the parity ratio averages 92.

If the general level of prices and economic activity holds near present levels, the price-cost squeeze need tighten no further.

The second adjustment of which I spoke has to do with out total production potential. This was expanded during the war and remains expanded despite the loss of wartime and postwar markets. Furthermore, it will undoubtedly continue to expand as the results of new agricultural technology come available. Walter Wilcox, an agricultural economist who serves as a consultant to the House Committee on Agriculture, estimates that total agricultural production during the next several years is likely to run about 3 to 5% above the quantity which the market will absorb at stable or slightly lower prices. With the effect of quantity on price as it is in agriculture, production at such a rate could result in considerable reduction in farm prices and farm income.

How can this problem be dealt with? By controlling production? The experience of history is that acreage controls can pull down production of a particular crop but have relatively little effect on overall production.

One way of dealing with our expanded production potential is to make a shift in the composition of the diet, toward more livestock products.

Livestock condense about seven pounds of dry matter in the form of grain and other feed to about one pound of dry matter in the form of meat, milk and eggs. The other six pounds are used for heat and energy or are wasted and can not be recovered by man. Thus, far more agricultural resources are needed to provide a diet which contains a high percentage of livestock products.

Increasing and decreasing the livestock population is the time-honored method of adjusting the food supply to changing needs. The amount of flexibility provided by this system is tremendous.

From 1940 to 1953, crop production in the United States increased rapidly, faster than population growth. Per capita meat consumption increased 12%, while per capita consumption of wheat and potatoes declined. Thus the slack was taken up. There is every reason to believe that per capita consumption of livestock products in the United States could be increased from present levels, if prices were such as to permit. New Zealand, Australia, Uruguay, and Argentina exceed the United States in per capita consumption of livestock products.

If all the 20 million acres diverted from corn, wheat and cotton during 1954 were used for feed grains, hay and pasture it would provide about a billion pounds of beef and veal each year, or about 4% more red meat than was produced in 1953.

One would hardly recommend an overall increase in dairy production under present circumstances. And one can readily understand the reluctance of present beef, pork and poultry producers to welcome the entry of new producers into the market. But the shift need not be large, as previously indicated, and it undoubtedly would be gradual.

The third set of adjustments of which I spoke has to do with particular commodities. Wheat, over-expanded to meet war-time needs and held out of proper price relationship to other commodities, is an illustration. Cattle, which are in the low phase of their price cycle, are another. Butter, which has lost ground to margarine, is a vivid illustration. There are others. The solutions here are mobility of agricultural resources, production controls where they can be helpful, flexibility of prices, and imaginative merchandising.

These three types of adjustment, while they overlap, are nevertheless distinct from one another. Remedies which are appropriate to one may not be well suited to another. Acreage control, which may be successful in reducing our over-expanded wheat acreage, is hardly the tool to use in combating general deflation. Fiscal and monetary policies, which promote a stable price level, will not restore the butter market. Better merchandising, which may help find a market for our increasing citrus production, can hardly be expected to loosen the overall price-cost squeeze.

If further deflation can be averted, then the other two types of adjustment can be accomplished. Not with ease, however! It will be difficult to make the needed shifts in our overall pattern of production. It will be hard to lick the special problems of wheat and butter. But if the general economic boat is not rocked, it can be done.

Changes of some sort are certain for both production and consumption of food during the years ahead. Nothing remains static. Whatever these changes may prove to be, they can be accomplished more easily within a price structure that embodies some flexibility. Prices can help allocate resources, guide distribution, and influence consumption. The more of this we can do in the market place, in accordance with the economic balloting of individuals, the less we shall have to do with government programs.

Uncertainties Lie Ahead

As we face the uncertainties which lie ahead, both farmers and administrators can tackle the problems with more freedom than would have been possible before passage of the Agricultural Act of 1954.

How is a farmer to plan ahead in this uncertain world? And how about the man who finances him?

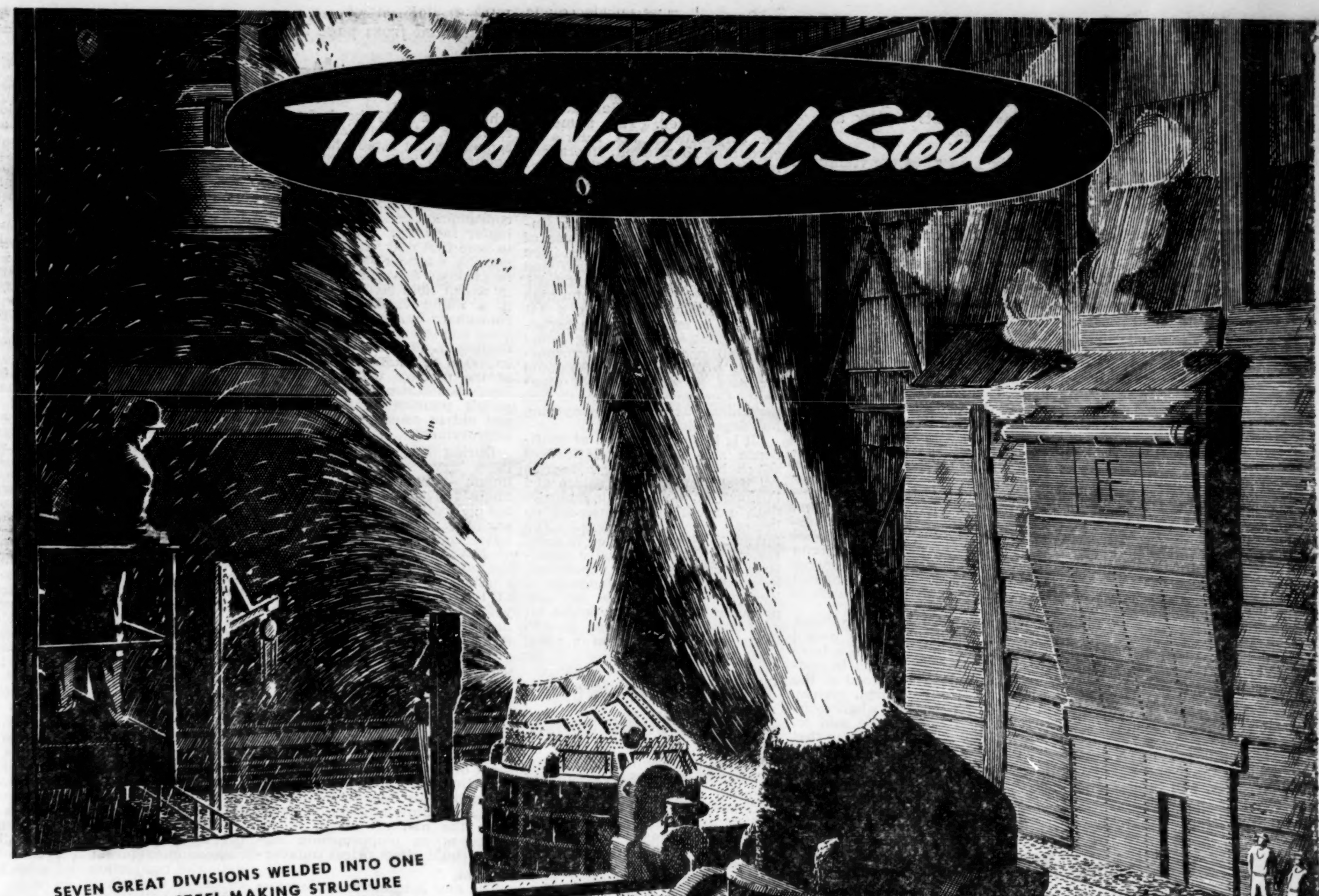
One way, the old way, was to ride the psychological wave of current economic thinking. If times were good they would continue good and probably become better. If times were bad they would stay bad and probably get worse. This planning—or lack of planning—led to the boom of the late twenties and the contraction of the thirties, and was thoroughly discredited. Contract your debts in good times and pay them off when money is hard to get!

Another approach, and a reaction to the foregoing one, is what is called contracyclical planning. The idea here is to expand when others are contracting, and to be bearish when the rest of the country is bullish. This looks fine on paper, and would indeed be excellent if we could foresee the future. It calls for a combination of foresight and courage which few people possess. Those who believed thus postponed the purchase of farms back in the early 1940's, waiting for the price of land to come down. They spent much of the past decade in the storm cellar, waiting for the hurricane to strike.

Our ability to foresee future price level movements at best is limited. Our ability to stabilize the general level of prices, while far from satisfactory, appears to be improving.

Maybe what we need is not planning based on current psychology, nor contracyclical planning, but non-cyclical planning. By that phrase I mean planning based on promoting production efficiency rather than upon the hope of windfall profits or the avoiding of the losses which result from general deflation. Every possible consideration to the outlook for a given enterprise—yes! But trying to outguess the future movement of the price level — that's a different thing. On the basis of the record, the profit to the investor would probably be as great and the cause of overall economic stability would be much enhanced. More and more, industrial concerns are making long-time plans which discount the mood of the present, whatever that may be. They are making plans which take account of economic growth, plans which indicate confidence in our collective power, both as private citizens and as a nation, to avoid the catastrophe of severe deflation. They base their plans more on probable changes in technology and on the normal growth of markets—less on predicted movements of the price level.

In the light of our demonstrated record in the field of economic prediction, this seems a reasonable approach. It not only assumes some measure of economic stability, but it helps establish that stability. Farmers, and those who finance them, may find here a reasonable way of meeting the uncertainties that beset the agricultural outlook in the mid 1950's.



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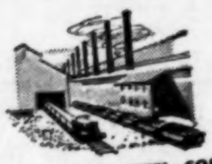

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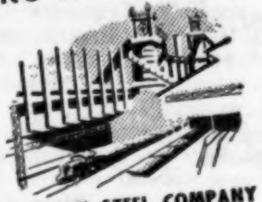

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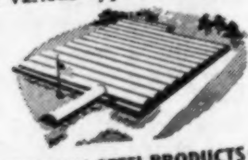

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SERVING AMERICA BY SERVING AMERICAN INDUSTRY

Prominent Banker Foresees No Major Change In U. S. Economic Situation

Bayard F. Pope, Chairman of Midland Marine Corporation, holds sufficient public purchasing power exists to buy all products of American industry.

In speaking in New York City on Sept. 30 before the Automobile Dealers Association of New Hampshire on the subject of present American economic conditions, Bayard F. Pope, Chairman of the Board of Marine Midland Corporation, expressed the opinion that the American economy is today in a considerably stable condition. He said that in his opinion it might improve a little or recede a little over the period of the next year or so, but that no major changes were to be expected in the absence of vital changes in the foreign situation.

Bayard F. Pope

In referring to the continued stability, Mr. Pope said:

"There is plenty of wherewithal in this economy of ours to buy the products of American industry. Purchasing power is here and will remain here. We must remind ourselves of the fundamentally dynamic nature of our economy, of the technological improvements, the increased efficiency and lower costs. We must consider the impact of the tremendous population increase. Full employment, the backbone of purchasing power, will be the objective of all. Anyone who analyzes the high level of liquid savings must be amazed at the vitality of our people as savers.

"Consumers credit is at practically its peak, and for the most part on a sound foundation, both for the borrower and for the lender."

Mr. Pope in his talk, referred to the stabilizing influence of Social Security and the growth in pension systems, both public and private. He called attention, in support of continued stability, to the generally easy credit conditions existing on top of the liquid savings potential, and, in this connection, particularly called attention to the relatively easy and not unsound availability of credit for building and housing purposes. He repeated that in public improvements, the building of roads, hospitals, schools, we are already years behind our present needs, and said that it would be in the public interest that these expenditures be considerably expanded in the next few years to facilitate the whole economy. He referred to the President's $50 billion road program over the next 10 years as a sample of this.

"Obviously," Mr. Pope said, "we are in this interim period shifting from a seller's to a buyer's market. Competition in normal times is the life blood of the American free enterprise system. It is good for us. The wherewithal to buy is there to be sold to. We will sell the large volume that we produce, I believe at a reasonable profit and in accordance with the appeal of the product, the efficiency and low cost of the production and the aggressiveness of the sales."

We Have Stability Without Stagnation

October "Letter" of the National City Bank of New York, in surveying current business outlook, finds stability restored, but no indication of stagnation.

In its monthly survey of general business conditions, the October issue of the "Monthly Bank Letter," issued by the National City Bank of New York, discusses the question whether the current stability of the economy denotes, in a way a condition of stagnation. Concerning this point, the "Letter" states:

"Certain groups have questioned recently whether the stability of the economy during 1954 is not a reason for concern rather than confidence. They feel that the failure to snap back speedily to new record levels once bottom was touched implies a lack of vitality, from which they reason that stimulation is needed. To most observers, however, the level course of business appears to be a breathing spell in which the economy is shaking down, improving efficiency, making price and inventory adjustments, and gathering strength for another rise.

"The recent stability of comprehensive measures of business activity has been noteworthy in many ways. The over-all level of whoelsale prices has stayed within a range of 1½% for nearly two years. Industrial production has moved almost horizontally since the start of the year, between 123% and 125% of the 1947-49 average. Unemployment has shown no significant change since early April; the number of nonagricultural employees has varied less than 1% since mid-January, and personal income has stayed within that same range since last November. The gross national product—a comprehensive measure of all goods and services produced—was virtually unchanged between the first and second quarters, and there is no evidence of any substantial change since. In the aggregate, the picture of stability at a relatively high level is an impressive one.

"The important point is that this is stability and not stagnation. It is not the result of a uniform sidewise movement, but of the balancing out of opposing forces. On the downward side, the chief influences have been defense production curtailment and inventory reduction, together with lesser declines in business equipment purchases and consumer durable goods buying. On the upward side, there is no single outstanding feature; the housing and construction boom has been a persistent bright spot, but quantitatively it has offset only a small portion of the decline in other lines.

"The widely discussed 'built-in automatic stabilizers' have helped to cushion the decline in income, although they did not stop or reverse it. The most recent data on personal income (July 1954) show a decline from the July 1953 peak of $5.7 billion in wage and salary income, of which about two-fifths was offset by unemployment insurance, veterans' benefits, and similar payments. Other 'stabilizers,' including farm price supports and the tendency for withholding taxes to go down even faster than income, have also helped sustain spending power. The financial strength and liquidity of corporations, individuals and lending institutions have kept the situation free of forced liquidation.

"The government has taken responsibility for action in the economic sphere not by providing a 'shot in the arm,' but rather by providing an atmosphere in which business men and consumers would go ahead. Tax reduction for individuals maintained 'disposable income' while total incomes declined. Tax reduction for corporations, tax reform to encourage investment, liberalized housing measures, and the assurance of an ample money supply all helped in maintaining stability.

"In part because of these influences, and in part because of long-term growth factors, the confidence of business men and consumers has been maintained. Capital investment holds at a high rate. A nation scheduling a 4% increase in manufacturing capacity in 1954, and spending many more billions to expand transportation, utilities, and commercial facilities, is anything but stagnant. Consumers who spend and save about as usual are anything but depression-minded.

"It is this combination of confidence and stabilizing influences which has allowed the nation to cut back its defense program and business to reduce its inventories with a minimum of pressure on income or employment. The forces which are expected to assist recovery are essentially long-term in nature—rising population, research, improving standards of living, the emergence of new products. As such, they argue for a gradual and sustained growth in business rather than a rapid upsurge."

Halsey, Stuart Group Offers Utility Bonds

Halsey, Stuart & Co. Inc. on Oct. 5 headed a syndicate offering $20,000,000 Public Service Co. of Colorado first mortgage bonds, 3⅛% series due Oct. 1, 1984, at 101¾% and accrued interest, to yield approximately 3.03½%. Award of the issue was won by the group at competitive sale on Oct. 4 on a bid of 101.21%.

Net proceeds from the sale of the bonds will be applied toward the retirement of short-term bank loans in the amount of $11,950,000 and the balance will be added to the general funds of the company and will be used to finance a portion of the construction program.

The new bonds will be redeemable at regular redemption prices ranging from 104.75% to par, and at sinking fund redemption prices receding from 101.83% to par, plus accrued interest in each case.

Public Service Co. of Colorado is an operating public utility engaged together with its subsidiaries principally in the generation, purchase, transmission, distribution and sale of electricity and in the purchase, transmission, distribution and sale of natural gas. Operations of the company are wholly within the State of Colorado, the principal distribution center being in the city of Denver and the immediate vicinity. The company serves electricity or gas or both at retail in an area having an estimated population of 920,000. of which around 675,000 are in the Denver area.

For the 12 months ended June 30. 1954, the company and its subsidiaries had consolidated operating revenues of $59,382,282 and net income of $7,950,198. For the year 1953, consolidated operating revenues amounted to $56,374,787 and net income was $7,854,369.

Joins H. Carl Aiken

(Special to The Financial Chronicle)

DENVER, Colo.—Edwin G. Russell is with H. Carl Aiken, 1160 Sherman Street.

With Carroll, Kirchner

(Special to The Financial Chronicle)

DENVER, Colo.—Joe F. Dennis has joined the staff of Carroll, Kirchner & Jaquith, Inc., Patterson Building.

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The Security I Like Best

whiskey are 100% ahead of earlier estimates. With demand for the company's old established brands holding up well National Distillers' liquor shipments so far this year are about 10% above 1953 results compared with an overall consumption decline of 5% for the liquor industry. It is interesting to note that only one-third of the nation's whiskey business is done in straight and bonded whiskies in which field National Distillers is a major factor. Last year's consumers' increase in bottled-in-bond and straight whiskies is continuing in 1954 and is ultimately expected to obtain a larger share of the nation's whiskey market. This should strengthen the company's position in the industry and aid in considerable earnings improvement.

During the past few months there have been hopes in the liquor industry that Congress might reduce the Federal excise tax on distilled spirits from $10.50 per proof gallon to $9 from which latter figure the tax was raised on Nov. 1, 1951. As this increase has obviously resulted in considerable rise of illegal production of liquor during the past three years and also an initial sharp decline in legitimate liquor sales it stands to reason that an ultimate reduction in the Federal excise tax should benefit both the liquor industry and the Government. There is also under consideration to extend from eight to twelve years the period of time when whiskey may be stored in bonded warehouses without payment of tax. An extension of this time limit may help the industry to readjust its inventory situation by withholding long-stored liquor from the market which, if released at an inappropriate moment, could effect prices unfavorably.

The new International Revenue code authorizes the Treasury Department to permit liquor producers to purchase their tax stamps after sale to wholesalers whereas previously tax stamps had to be bought in advance of the sale, namely at the time the products were moved out of the factory or warehouse. When this ruling becomes effective capital will not have to be tied up any longer between the time of purchase of tax stamps and when liquor producers are being paid for their products from wholesalers.

In 1949 National Distillers entered the field of industrial chemicals to manufacture metallic sodium and chlorine. In June 1951 National Petro-Chemicals Corporation was organized with National Distillers having a 60% stock interest and Panhandle Eastern Pipe Line the remaining 40%. In July 1951 National Distillers acquired U. S. Industrial Chemicals through merger and exchange of stock. However, the anti-freeze, resin and insecticides activities of this division have recently been sold because of unsatisfactory operating results. Later in 1951 a 20% interest in Inter-Mountain Chemical Company was obtained. This company, which is 80% owned and operated by Food Machinery and Chemical Corporation, started production of soda ash at its plant in Wyoming in 1953.

National Petro-Chemicals' $50,000,000 plant at Tuscola, Illinois, extracts ethane and hydrocarbons from natural gas, supplied by Panhandle Eastern Pipe Line, for the production of propane, butane, natural gasoline, ethyl alcohol, ethyl-chloride and ether. Some of these products are sold under long-term agreements to a large petroleum company and other outside interests with the remainder being utilized by National Distillers' chemical division. Construction of two plants in Tuscola, Illinois, for production of 25,000,000 pounds of polyethelene per annum, and anhydrous ammonia and nitrogen solutions with an annual capacity of 50,000 tons of anhydrous ammonia should be completed for commercial production in 1955. Anhydrous ammonia, widely used as a basic industrial chemical, is also extremely important as a fertilizer component. Its rapidly growing market due to constantly increasing fertilizer consumption foreshadows good prospects as an additional income source.

Among National Distillers' ten chemical plants is its large metallic sodium and chlorine plant at Ashtabula, Ohio, which has been experimenting with titanium processing through substitution of sodium for magnesium. On Sept. 16, 1954, Union Carbide announced construction of the nation's largest titanium plant with an annual production capacity of at least 7,500 tons titanium sponge would start at Ashtabula and that the Government had agreed to purchase for a period of five years any part of the output not sold to industry. Production is expected to begin in the early part of 1956. National Distillers would appear the logical choice to supply both sodium and chlorine for that operation, which could in time become an important outlet for these industrial chemicals.

On Aug. 11, 1954, purchase of Hegeler Zinc Company was announced. This company owns a sulphuric acid plant in Danville, Illinois, which is located only 50 miles away from one of National Distillers' sulphuric acid plants at Tuscola. In view of formerly overlapping sales territories the acquisition represents a consolidation of production and sales facilities at a minimum expense.

National Distillers' total investment in the industrial chemicals field amounts to approximately $75,000,000. In recent years about $45,000,000 were realized from sale of several beverage subsidiaries which failed to show a satisfactory return on the company's investment. Some of the proceeds were utilized for the company's growing chemical developments. Furthermore, some $20,000,000 are being obtained from sale of the anti-freeze, resin and insecticite activities and production facilities for fermentation industrial alcohol all of which proved unsatisfactory from a profit point of view. These latter funds plus large amounts previously required as working capital in the operation of the disposed properties are available for further expansion and consolidation of the company's active chemical developments.

Net income for six months ended June 30, 1954, was 63 cents per share compared with 57 cents per share for the same period last year. Nineteen fifty-four earnings are estimated at about $1.40 per share compared with 1952 net income of $1.18 per share and 1951 earnings of $1.13 per share which represented the low of the post-war period. Since that time there has been slow but seady improvement in the company's income. Dividend disbursements, which have been made continuously since 1935, are at an annual rate of $1 per share.

National Distillers is in sound financial and working capital position with current assets of $280,688,000 on Dec. 31, 1953, including cash and equivalent of $51,442,000 compared with $35,204,000 current liabilities. Book value stood at about $24 at that time.

National Distillers' capitalization consists of 8,484,389 shares of common stock preceded by $48,-

420,000 $4.25 cumulative convertible preferred stock and $95,421,765 funded debt. The current price of the shares of around 21 companes with a high of 37 reached in 1951 and this year's low of 17.

Consummation of the ambitious expansion program into the industrial chemicals field is in sight with construction of the polyethelene and anhydrous ammonia plants scheduled for completion early next year. With further consolidation, improved operating efficiencies and start of commercial production of the two above mentioned plants earnings from chemical divisions, presently contributing about 15% of total income, are expected to increase to 35% in the next two years.

Continued consumers' preference for bottled - in - bond and straight whiskies, in which field National Distillers is a leading producer, should enable the company to improve further on its above-average sales relative to the overall consumption and sales in the liquor industry.

Fiedler Sales Mgr. For Hemphill, Noyes

The securities firm of Hemphill, Noyes & Co., members of the New York Stock Exchange, has announced the appointment of William A. Fiedler as Sales Manager in its New York office, 15 Broad Street, New York City.

Before joining Hemphill, Noyes & Co. last January, Mr. Fiedler was for 10 years Sales Manager in the New York office of H. M. Byllesby and Company, Incorporated, Chicago securities firm.

Venezuelan Sulphur Stock at $3 a Share

Hunter Securities Corp., New York, soon plans to offer to the public an issue of 1,000,000 shares of common stock (par 50 cents) of Venezuelan Sulphur Corp. of America at $3 per share on a "best efforts" basis.

The company was organized under Delaware law in June, 1954, for the purpose of acquiring all of the issued and outstanding capital stock of Venezuelan Sulphur Corp., C. A., which was organized on May 21, 1952, in Caracas, Venezuela, under Venezuela law, for the purpose of the exploration, mining, producing, refining and selling of sulphur and other minerals, and the acquisition of concessions relating thereto. Its principal assets include "concesssions, denouncements and applications for exploration permits relating to sulphur deposits located in Venezuela. . . ." It has no earnings history.

"The purpose of this offering is to secure the financing necessary to carry on a program of further exploration in order to determine whether commercial sulphur deposits exist in the concession and denouncements area" owned by the subsidiary, and for further process studies. Proceeds of the offering are to be applied first to the payment of $175,000 of obligations of its subsidiary and then to the payment of current operating expenses and expenses incident to the financing. The balance, estimated at $2,300,000 if all the stock is sold, will be made available from time to time to its subsidiary for exploratory work and geological surveys and, if commercial sulphur deposits are found, the erection of a plant and other processing facilities.

Venezuelan Sulphur Corp. of America, through its wholly owned subsidiary holds 50-year concessions and other rights to Venezuelan mining property which it intends to explore for commercial deposits of sulphur.

There are presently outstanding 1,200,000 shares of the common stock.

With Marache, Dofflemyre

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Willard Leabman has become associated with Marache, Dofflemyre & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Morgan & Co. and Pledger & Co., Incorporated.

Vilas With Vick

(Special to The Financial Chronicle)

CHICAGO, Ill. — Raymond D. Vilas has become associated with Robert Vick & Company, 33 North La Salle Street. Mr. Vilas in the past was in the investment business in Chicago for a number of years.

With Security Assoc.

(Special to The Financial Chronicle)

WINTER PARK, Fla. — Arthur U. Mattson is now affiliated with Security Associates, Inc., 137-139 East New England Avenue, members of the Philadelphia-Baltimore and Midwest Stock Exchanges. He was formerly with A. M. Kidder & Co.

Two Join Oscar Kraft

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—George D. Hansen and Hugh F. Flaherty have become associated with Oscar F. Kraft & Co., 530 West Sixth Street. Mr. Hansen was formerly with J. A. Hogle & Co. Mr. Flaherty was with Adams-Fastnow Company.

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Federal Reserve Policy Since 1953

raising the rates on FHA and VA mortgages.

It was at about this time that it became apparent that the Federal cash deficit would be larger than had earlier been expected and that the Treasury would be a heavy borrower during the remainder of the year. An assurance that this additional Treasury borrowing would not be allowed to reduce the supply of credit available for other borrowers was quickly provided by the Federal Reserve's embarking upon substantial open market purchases of U. S. Government securities. From May 7 through July 8 the Federal Reserve supplied about $1.2 billion of reserves to banks by these operations. These funds enabled member banks to pay off a substantial portion of their borrowing at Reserve Banks, and for the month of June excess reserves of member banks exceeded their borrowings at the Reserve Banks by nearly $400 million. Thus credit conditions began to be eased at a time that was later to be proved strategic from an economic standpoint, though those who chose to criticize the Federal Reserve's action as being inflationary could, and did, back up their arguments with data showing production, employment, and incomes were still at or close to record levels.

Those data did not control Federal Reserve actions, but I must admit, in justice to our critics at that time, that the data carried enough weight with us to induce more caution than we would show now if we were going through the period again but aided this time by hindsight.

For instance, the data obviously had an effect upon the decision of the Federal Open Market Committee at its meeting on June 11, 1953. Despite developing doubts in the Committee about the strength of underlying business conditions, the directions it gave its Executive Committee for operations aimed at "avoiding deflationary tendencies" were tempered by a caution against "encouraging a renewal of inflationary tendencies."

Actions to Ease Credit

That action, with various other steps in the transition to a policy of active credit ease, is set out frankly in the official policy record of the Open Market Committee as published in the Federal Reserve Board's Annual Report for 1953.

As the record further shows, on the following Sept. 24, the Open Market Committee, influenced by softening tendencies in various sectors of the economy, revised its instructions to the Executive Committee. The reference to avoiding a renewal of inflationary developments was deleted, leaving an unqualified instruction to operate with a view "to avoiding deflationary tendencies." This implied that a more active policy of supplying reserves was to be followed.

During the last quarter of 1953, the decline in economic conditions, though moderate, became unmistakable. The Dec. 15 directive of the Open Market Committee to the Executive Committee, therefore, was to operate with a view "to promoting growth and stability in the economy by actively maintaining a condition of ease in the money market."

In accordance with those general policy objectives, the Board of Governors of the Federal Reserve System and the Open Market Committee took several specific actions to contribute to active ease in financial markets. I feel compelled to recite them even at the risk of boring you.

(1) **A reduction in reserve requirements, effective in July 1953:** To prevent an undue tightening of credit from developing out of a convergence of seasonally expanding private demands for credit, and substantial financing by the Treasury to meet immediate needs. This freed an estimated $1.2 billion of reserve funds.

(2) **Open market operations:** This sphere provided a graphic demonstration of flexible operations in execution of a policy of keeping reserves at a high but stable level under varying conditions. Open market purchases supplied, between mid-August 1953 and the end of the year, $1.5 billion of reserves. However, part of these purchases were temporary, to meet the usual year-end tightness in the money market. For instance, $600 million of securities were acquired near the close of the year from dealers, with agreements by the dealers to repurchase the securities after the turn of the year. In contrast, during the early months of 1954 the System sold another $700 million of Government securities in the market in order to absorb reserves which usually accumulate during that season of the year. Back on the other side, open market purchases were resumed in May and June this year in order to maintain a condition of ease in credit and capital markets. Still later, sales were again made following a further reduction in reserve requirements this past summer, providing an example of close coordination of the Federal Reserve's reserve requirement and open market powers, first, to release a large amount of reserves and assure availability of ample credit, and second, to insure against "sloppiness" in financial markets during the course of the release of these funds. More recently yet, purchases were again undertaken in early September, as we approached the beginning of the fall demands for credit, to keep the volume of excess reserves stable at a high level. To be very frank with you, I expressed apprehension within the Board and the Open Market Committee about releasing reserves by a reduction of reserve requirements and later absorbing some of these excess reserves by sales of Government securities in the open market, but this flexible policy in the use of our monetary and credit instruments has, up to now at least, on the whole, it seems to me, worked well—in the interest of a high level stable economy.

(3) **Reduction in discount rates:** Discount rates remained at 2% throughout the last half of 1953, but were reduced to 1¾% in January and again to 1½% in April and May of this year. Both these changes followed a general lowering of interest rates in the money markets and had the effect of restoring the discount rate to a more customary relationship to market interest rates. After these reductions, discount rates were at the level prevailing prior to the Korean outbreak.

(4) **Reduction in reserve requirements, July-August 1954** — This further reduction in reserve requirements, to which I referred earlier in connection with open market operations, was carefully timed to take effect over a period of several weeks. It released a total of about $1.5 billion in reserves. The reduction involved two percentage points on demand deposits at central reserve city banks; one percentage point on such deposits at reserve city and country banks; and one percentage point on time deposits at all member banks. These reductions brought requirements to levels at or below those prevailing in late 1949 and 1950.

The reduction in reserve requirements at this time was made in anticipation of demands on bank reserves during the summer and fall, taking into account Treasury financing needs as well as probable private financing requirements, including the marketing of crops and the replenishment of retail stocks in advance of the fall and Christmas sale seasons. Coordinating operations in the open market followed, as I sketched them for you above.

Reflecting the foregoing credit actions, bank reserve positions have changed markedly since the spring of 1953. In April of last year, member bank borrowing from the Reserve Banks averaged about $1¼ billion or about $¾ billion more than excess reserves. In July of this year, however, member bank borrowing averaged less than $100 million and excess reserves more than $800 million. Free reserves — excess reserves less borrowing at Reserve Banks —expanded progressively during this period from a negative ¾ billion dollars to more than a positive ¾ billion dollars.

Having reviewed with you what has been done by the Federal Reserve in the field of credit and monetary policy in the recent past in order to cope with conditions of sharp economic change, I should like to turn now to a more difficult task; namely, that of attempting to appraise the results of such policies. Bankers, businessmen, and economists are generally familiar with the way credit and monetary policies contribute to dampening booms and inflationary developments, but they are much less familiar with how they contribute to stability when depression and deflation threatens.

The matter can be clarified, I think, if it is kept in mind that credit and monetary policy exerts an influence on economic conditions on both the up and down sides, mainly through its effect on five factors: the volume of money, the cost of borrowing, the availability of credit, capital values, and the general liquidity of the economy. These factors are closely inter-related but may be discussed separately for purposes of convenience and clarity. The following examination of financial developments over the past year with respect to each of these factors will help clarify judgments as to the contribution of recent Federal Reserve policy to economic stability.

The Money Supply

Instead of contracting, the volume of money held by the public has expanded over the past 18 months, though the growth since the second quarter of last year has been a modest one. Considering the extent of the decline in over-all business activity since mid-1953, firmness in the money supply has been a positive stabilizing force in the economy. This contrasts with the early stages of a number of previous business declines, when the money supply contracted, reflecting significant credit liquidation as a factor of economic recession. At those times, consumers and businesses wanting to maintain their liquidity had to reduce their expenditures from time to time, cumulatively inducing additional reductions in employment and incomes.

Cost of Borrowing

The cost of borrowing has declined sharply over the past year and a half, reflecting, besides the actions we have been discussing, a reduction in demands for funds and a continuing high rate of money saving. The decline in rates has pervaded the entire credit market, affecting all types of paper and securities, although, of course, in varying degrees. You have all been aware of the changes in nominal rates, in discounts, and in other terms of mortgage loans. These declines in interest rates have given a strong incentive for marginal borrowers in all credit areas to raise funds through financial markets.

The declines in interest rates have been as sharp and as widespread as in the comparable phase of any recession since World War I. As is usual during a period of rapid movement in interest rates, yields on short-term securities have experienced the sharpest relative changes. The average yield on Treasury bills, for example, dropped almost 70% from mid-1953 through July of this year, and the rates on commercial paper declined nearly 50%. These drops in yields on short-term paper are close to the average for the corresponding phases of other recessions since the First World War. Rates charged by banks on short-term business loans reacted more slowly than other short-term rates, but they also declined during the first half of 1954.

Yields on long-term securities, those used for financing capital investments, have declined somewhat more over the past year than in corresponding phases of past recessions. For example, at the end of July yields on long-term U. S. Government securities were down 20% from mid-1953, those on high-grade corporate bonds 15%, and those on high-grade municipal securities 23%.

In the mortgage field, where your principal interest lies, the discounts that prevailed a year ago on 4½% Federally insured and guaranteed home mortgages also have largely disappeared. In addition, rates on conventional home mortgages seem to be down approximately ½% from levels prevailing a year ago.

Availability of Credit

Changes in the availability of credit and capital funds, as you can well imagine, are exceedingly difficult, if not impossible, to measure objectively. Suffice it to say that in the spring of last year there were widespread reports about the shortage of many types of financing, with the stringency of funds in the mortgage market particularly subject to complaint. Few such reports are heard today. Loan commitments are easy to arrange. Mortgage lending on small non-farm properties totaled over $12 billion in the first seven months of this year as compared with a little over $11 billion in the first seven months of last year; and new securities issued by State and local governments for new capital amounted to about $4 billion in the more recent period compared with a little over $3 billion earlier. The volume of corporate security issues for new capital, however, has dropped from about $5 billion to $4½ billion over this period, due to reduced demand for outside funds by certain types of manufacturing corporations.

Capital Values

These values, in general, have risen since June of last year. Falling interest rates, in addition to meaning lower costs for borrowers, affect economic activity in the nation through raising the dollar value of existing assets, particularly long-lived assets. This comes about because the expected future returns from such assets are recapitalized at the lower rates of interest.

One example is in the stock market where, for instance, rising prices for outstanding investment-type securities have registered the influence of falling interest rates as well as other factors. On the other hand, capital values have apparently not risen recently in the real estate area. Even here, however, the effect of lower interest rates may have been to cushion a decline in values of existing property due to the sharply increased supply growing out of the recent high level of construction activity.

General Liquidity

Higher values of existing assets, as well as the maintenance of the money supply and other highly liquid assets, have tended to maintain the liquidity of business and individuals and make them more willing to spend and invest. They have also made financial institutions more liquid and willing to lend. Commercial banks, for example, have been able to increase greatly their holdings of short-term highly liquid securities as well as to repay a large part of their indebtedness.

Any attempt at over-all appraisal must take into consideration the following factors:

(1) The first, and foremost, difficulty in arriving at any overall appraisal of the stabilizing effect of recent Federal Reserve action is that such action is only one of many factors, although an important one, influencing the general level of economic activity. Its success, moreover, is conditioned by various other policies, programs, and activities of Government. To cite only a couple of illustrations, such built-in stabilizers as unemployment compensation and farm price supports, for example, have provided important cushions in the current readjustment. Tax reductions and public debt operations have also helped to stabilize the economy.

The success of Federal Reserve credit and monetary policy is also affected by a wide range of private activities and by the changing moods and impulses of businesses and the public generally with respect to spending, borrowing, and saving. The manifold elements affecting economic stability will each be influenced in some measure by credit and monetary policy, but the degree of influence will vary considerably under different circumstances and the effects from any one element can never be completely isolated and measured.

(2) A second difficulty in appraising recent credit and monetary actions is that their full impact cannot be determined for a considerable period of time. Accordingly, it is too early to appraise adequately the actions of the past year and a half.

(3) Finally, difficult questions of judgment are involved in assessing any given current economic situation. At any given time, the economy generally exhibits a mixture of tendencies toward expansion and contraction. An over-all appraisal of the effectiveness of a specific factor affecting general economic and business conditions, therefore, hinges to a large degree on one's judgment as to where we stand currently in so far as business conditions are concerned.

Basically, of course, the question that one would have to answer in order to appraise the effects of Federal Reserve action with full assurance is this: What would have happened to the general business and economic situation over the past 18 months if such actions had been different? And that question, of course, is impossible to resolve.

All in all, however, I think it is fair to say that recent Federal Reserve actions have been of significant benefit, first, in contributing to restraint of what threatened to be an unstable speculative boom, and, subsequently, in contributing to the moderation of the business downturn. In the past few years, we have had almost a classical business cycle situation to deal with as we moved through a period of record high activity under a constant threat of inflation and went from that into a period of a business contraction. In the earliest phase, credit restraints helped to discourage speculative excesses, restrain inven-

tory accumulation, damp down unoue expansion in capital goods expenditures, and encourage saving. Subsequently, Federal Reserve credit actions have hepled to encourage business capital outlays, home construction, and State and local expenditures for construction and other improvements, as is indicated by the sustained if not growing volume of activity in these areas. The pace of these activities is considerably affected by ready availability of low-cost long-term financing, a condition which recent System policy has had an important part in establishing. Inventory liquidation, moreover, has thus far been orderly, with no material pressure arising from financing problems.

Emerging economic developments will need to be scrutinized carefully and continuously in the period ahead, and Federal Reserve policies promptly adjusted as required to contribute to the fullest to the promotion of sustainable economic growth. One of the major virtues of credit and monetary policy in a period of readjustment like the present is its great flexibility, permitting quick adjustment to changing trends and the prompt adoption of counterbalancing action to any unstabilizing developments that may arise.

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A Solution to Problems of Gifts of Stock to Children

child under this statute and could be retained by the custodian. The custodian could sell securities which would be acquired by a prudent man seeking a reasonable income and preservation of capital.

Third parties, such as brokers and transfer agents, would be protected from liability to the minor in their dealings with the adult custodian.

The statue would apply only to gifts to children, of course, and only the given or a close relative of the child could serve as the custodian. Let's see how this would work—say in my own case when I tried to give that stock to my daughter.

If my state had had such a statute then, my broker's answer would have been completely different. Instead of discouraging me he would have said, "Sure, Mr. Funston, we can do that for you. All you have to do is register the securities in your name or you wife's name as custodian for your daughter. The stock will be hers outright but you'll be able to sell it and reinvest the proceeds for her if it seems wise. As she grows older you can let her help you make these investment decisions and when she reaches 21 she can take over for herself, secure in the knowledge that through your guidance she will know what she is doing."

That's the answer I was looking for some years ago. I hope it's the answer I will get in the near future.

I really think this new device has a lot of merit. From the parent's point of view it is simple and convenient. All he has to do is tell the broker to register the securities in the way the statute requires. From the broker's viewpoint it is equally suitable. And most important of all, from the point of view of public policy, it does not reduce in any way the protection afforded our children. It applies only to gifts. All it does is make it easier for a given to obtain the flexibility which he can now obtain only by a complex legal document. It enables all parents to make gifts of securities to their children no matter how small with the same ease that they can now give a savings account or government bonds to them. It can prove a successful tool in the encouragement of broader shareownership in America by helping to educate today's children for the responsibilities of tomorrow.

I've asked that copies of this proposed statute be distributed to each of you. I hope that you will take the time to study it as it would apply in your own state and send me your reactions to it sometime soon. Since uniformity in such legislation would be important we are most anxious for your comments so that a draft can be prepared which will prove acceptable to our various state legislatures. Once we get such a draft, the Association of Stock Exchange Firms, which has already pledged its support, will carry the ball in seeking enactment of such legislation.

I want to think you again for the opportunity to bring before you a proposed solution to this problem. If together we can contribute to its solution I believe we will all have helped take a giant step toward the fulfillment of one of the goals of your association—"the promotion of the general welfare of the investing public."

EDITOR'S NOTE: Text of the proposed statute referred to by Mr. Funston reads as follows:

N. Y. Stock Exchange
Draft Sept. 24, 1954

AN ACT CONCERNING GIFTS OF SECURITIES TO MINORS

1. Any adult person may make a gift of securities to a person who has not attained the age of 21 years on the date of the gift (hereinafter referred to as the "minor") in the following manner:

(a) Securities, if in registered form, shall be registered by the donor in his own name or in the name of any adult member of the minor's family or in the name of any guardian of the minor, followed by the words "as custodian, for *(name of minor)*, a minor, under Section ---- of Chapter---- of the laws of *(enacting state)*," and the securities shall be delivered to the person in whose name they are thus registered as custodian. If the securities are thus registered in the name of the donor as custodian such registration shall of itself constitute the delivery required by this section.

(b) Securities, if in bearer form, shall be delivered by the donor to any adult member of the minor's family, other than the donor, or any guardian of the minor, accompanied by a deed of gift duly acknowledged in substantially the following form, signed by the donor and the person designated therein as custodian:

"DEED OF GIFT under Section ---- of Chapter ---- of the laws of *(enacting state)*.

I, *(name of donor)* do hereby deliver to *(name of custodian)* as custodian for *(name of minor)*, a minor, under Section ---- of Chapter ---- of the Laws of *(enacting state)*, the following security(ies): principal amount $----, description of the security ------, serial number of security ---- or Certificate No.----, representing ---- shares of the *(class or type of stock)* stock of *(name of company)*.

(Signature of donor)

I, *(name of custodian)* do thereby acknowledge receipt of the above described security(ies).

(Signature of custodian)

Dated: ------"

(c) The person designated as a custodian under this subsection is hereinafter called "the custodian."

2. A gift made in the manner prescribed in subsection 1 of this section shall be irrevocable and shall convey to the minor indefeasibly vested legal title to the securities thus delivered, but no guardian of the person or property of the minor shall have any rights, duties or authority with respect to any property held at any time by the custodian under the authority of this section unless said guardian shall himself be or become custodian in accordance herewith.

3. (a) The custodian shall hold, manage, invest and reinvest the property, collect the income and shall apply so much or the whole of the net income thereof and so much or the whole of the property held by him as custodian as he may deem advisable for the support, maintenance, education and general use and benefit of the minor, in such manner, at such time or times, and to such extent as the custodian in his absolute discretion may deem suitable and proper without court order, without regard to the duty of any person to support the minor and without regard to any other funds which may be applicable or available for the purpose. Any unexpended net income shall be held, managed, invested and reinvested by the custodian in the same manner as the securities and the proceeds of any sale or other disposition of securities held under the authority of this section. To the extent that property held by the custodian and the income thereof is not so expended, it shall be delivered or paid over to the minor upon the minor's attaining the age of twenty-one (21) years, and in the event that the minor dies before attaining the age of twenty-one (21) years it shall thereupon be delivered or paid over to the estate of the minor.

(b) The custodian may sell, exchange, convert, or otherwise dispose of any and all of the securities or other property which at any time is held by him in such manner and at such time or times, for such prices and upon such terms as he may deem advisable: he shall have the power in his sole and absolute discretion to retain any and all securities delivered to him within the meaning and under the authority of this section without reference to the statutes relating to permissable investments by fiduciaries; he may invest the minor's property in such securities as would be acquired by prudent men of discretion and intelligence who are seeking a reasonable income and the preservation of their capital without reference to the statutes relating to permissible investments by fiduciaries; he may vote in person or by general or limited proxy with respect to any securities held by him; he may consent directly or through a committee or other agent to the reorganization, consolidation, dissolution or liquidation of any corporations, the securities of which may be held by him, or to the sale, lease, pledge or mortgage of any property by or to any such corporation.

(c) In addition to the foregoing rights, powers and duties with respect to any securities or other property held by the custodian, the custodian, in his name as such custodian, shall have all the powers of management which a guardian of the property of the minor would have.

(d) The custodian may execute and deliver any and all instruments in writing which he may deem advisable to carry out any of the foregoing powers. No issuer of securities, transfer agent, registrar or bank or other person acting on the instructions of any person purporting to be a custodian or donor shall be responsible for determining whether any person has been duly designated as a custodian under this section, or whether any purchase, sale or transfer to or by any person as custodian is in accordance with or authorized by this section, or shall be obligated to inquire into the validity under this section of any instrument or instructions executed or given by a person as custodian or donor, or be bound to see to the application by any person purporting to act as custodian of any money or other property paid or delivered to him. All registered securities held by the custodian from time to time shall be registered in his name followed by a words "as custodian for *(name of minor)*, a minor under Section ---- of Chapter ---- of the laws of the State of *(enacting state)*." All other property held by the custodian for the minor under the authority of this section shall be kept separate and distinct from the custodian's own personal funds and property and shall be maintained at all times in such manner as to identify it clearly as the minor's property held by the custodian under the authority of this section.

4. A person acting as custodian, other than a guardian of the property of the minor, shall receive no compensation for his services but shall be entitled to reimbursement from the property held by him as custodian for the reasonable expenses incurred in the performance of his duties hereunder. A guardian of the property of the minor, when acting as custodian under the authority of this section, may receive such additional compensation for his services as guardian as he would be entitled to receive if the property held by him as custodian hereunder were held by him in his capacity as guardian, in addition to the other property of the minor held by him in that capacity.

5. A custodian who is not compensated for acting as such shall be under no obligation to give bond for the faithful performance of his duties and shall not be liable for any losses to the property held by him except such as are the result of his bad faith or intentional wrongdoing or result from his investing the minor's property in securities which would not be acquired by prudent men of discretion and intelligence who are seeking a reasonable income and the preservation of their capital.

6. In the event of the death, incapacity or resignation of the original custodian or any successor custodian before the minor attains the age of twenty-one (21) years, and

(a) if there is a duly appointed and acting general guardian of the property of the minor, he shall become the successor custodian, but

(b) if there is no duly appointed and acting general guardian of the property of the minor, and

i. if the minor has attained the age of fourteen (14) years, he may designate in writing an adult member of the minor's family or a guardian of the minor as successor custodian, or

ii. if the minor has not attained the age of fourteen (14) years, the successor custodian shall be the adult member of the minor's family or a guardian of the minor, by will or duly acknowledged deed executed by the last acting custodian. If no such designation is made by the last acting custodian, his legal representative may designate in writing an adult member of the minor's family or a guardian of the minor a successor custodian.

7. At any time or times when there is no duly acting custodian the legal representative of the last acting custodian or any adult member of the minor's family or a guardian of the minor may petition the ------ Court for the appointment of a successor custodian.

8. Any successor custodian shall have all the rights, powers and duties of a custodian under the authority of this section.

9. The custodian shall not be required to account to the minor or to any other person for his acts and proceedings unless the minor, a parent of the minor, the legal representative of the minor or a successor custodian shall petition the ------ Court for such an accounting no later than one year after the minor attains the age of twenty-one years.

10. (a) As used in this section "security means any note, stock, bond, debenture, evidence of indebtedness, collateral trust certificate, transferable share, voting trust certificate, certificate of deposit for a security or, in general, any interest or instrument commonly known as a security, or any certificate of interest or participation in, temporary or interim certificate for, or warrant or right to subscribe to or purchase, any of of the foregoing.

(b) A security is in "registered form" when its terms specify a person entitled to the security or to the rights it evidences and specify that its transfer may be registered upon books maintained for that purpose by or on behalf of an issuer.

(c) A security is in "bearer form" when it runs to bearer according to its terms and not by reason of any endorsement.

(d) The term "member of the minor's family" whenever used in this section means the minor's parents, grandparents, brothers, sisters, uncles and aunts, whether of the whole blood or the half blood, or by or through legal adoption.

(e) A gift made under authority of this section to a guardian of the minor as custodian shall be deemed to have satisfied the requirements of this section if the person to whom delivery has been made is either guardian of the person or guardian of the property of the minor, duly appointed in the State of *(enacting state)* or in the state, territory or country where the minor was domiciled at the time of the delivery of the gift.

11. Nothing herein contained shall be construed to prohibit gifts or securities to minors in forms other than hereunder.

Willis M. Summers

Willis M. Summers, securities dealer, died Oct. 3 at his residence in Brightwaters, L. I., N. Y., after a long illness. Born in Brooklyn, N. Y., he was 61 years of age. A former general partner in the New York securities firm of Troster, Currie & Summers, he was, more recently, a special partner in Troster, Singer & Company.

Well-known in the securities business, Mr. Summers was an organizer and former President of both the Security Traders Association of New York and National Security Traders Association.

Active in civic and business affairs on Long Island. Mr. Summers was a former village trustee of Freeport. He was also a 32nd degree Mason.

Two Join Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Mortimer P. Joseph and George O. Thomas have become associated with Harris, Upham & Co., 523 West Sixth Street. Mr. Thomas was previously with Walston & Co. and Davies & Mejia.

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The Discount House—A Problem For Department Stores

company and in other companies is going to expand," he told me, "because the need to know more about customer wants is growing more important each day. To build the right line, you must know the wants of the consumer."

Advertising agencies have taken a great lead in consumer research and have been able to effectively direct their activity to increase consumer demand, but I raise the question of whether such research has been used sufficiently by manufacturers in deciding changes in their products.

From the retailer-distributor standpoint, much greater knowledge of the customer is needed, not only for the merchandise itself, but for the many kinds of services in which it is to be wrapped. On this problem some efforts have been made by retail groups, particularly the large chain, mail order, and department stores.

As the economy develops, this research must be intensified.

Surely at the retail level we need research on all types of retail distribution to determine whether a customer-wanted feature of one type of outlet can be adopted by another. The test in each case is what the customer wants.

There is room for all kinds of retailers. I am not one who believes that different forms of marketing cannot live side by side. If efficient, each form of marketing, each type of store, provides some service wanted by certain and many kinds of customers.

With a growing market the size of ours in America, there is room for large stores and small stores, for independent and chain, service and self-service, department store and specialty store, credit and cash, delivery and carry. There is room for the house-to-house canvasser with his high cost of distribution. Each type meets the needs of a group of customers in its particular way.

One of the newer store developments is the discount house.

Department Stores and Discount Houses

Of all retailing, I want to talk particularly about department stores, in whose form of distribution I have lived my entire business life. Also, I want to say something about discount houses.

The department store grew up as a convenience for customer shopping. The ability to find goods to answer wants of the entire family under one roof, and the great ease of purchasing, were important factors in its success. The managements of department stores found the techniques of buying and selling many lines of goods quite similar. These services could be spread over many categories of merchandise. As a result, single managements could successfully and dynamically operate a large and varied business.

During the period of localized merchandising, the department stores grew up fast, and they initiated many important policies. Their adjustment policy, "The customer is always right," gets at least lip service from most department stores today, and in many is regarded as a life blood ingredient to their development.

Credit policies have also been important. The department store employs not only one, but many forms of credit to meet the needs of different groups of customers. This field is still not fully covered.

Above all, one thing that practically everyone today takes for granted has been the one-price policy. I remember hearing from my father and uncle about the tremendous step which they took in Columbus in the early 1880's when they realized that they could make their store grow only if people paid the price that was on the sales tag. They realized they could not take the time individually to dicker with each customer so as to arrive at a satisfactory trade. They told me that it was a tough expedience, for they initiated this policy in their city. Their competition took full advantage of the old belief people had that they were better traders than their neighbors. But the one price policy won out, not only because of their determination to make it win but also because of its obvious fairness.

Today the reputation of having one price—a fair and proper one unbeatable by equal competition—is threatened by the discount house. The threat is a peculiar one, because it is increased by the so-called fair trade laws and by national advertisers' "suggested" prices.

In the '20's, and to a greater extent in the '30's, some few department stores and cut-rate drug and food stores believed that it was necessary to use a well-known article, usually of a popular brand, sold below cost as a loss leader in an effort to convince prospective customers that all other merchandise in that store was equally cheap. These loss-leaders were subsidized by the sale, at regular prices, of other merchandise. Loss-leader department stores were particularly tough on such small specialty stores as books and shoes, as well as the dozens of other little shops that always have been an important part of community retail life.

The small retailers were afraid that this activity would spread. They fought to have so-called fair trade laws, to protect the retail price of merchandise, adopted in 45 of our 48 states. In some categories of goods, these laws have worked well; in many, they have not. Today, the discount house is selling below so-called fair trade prices, ignoring the law in very much the manner of the prohibition rum-runners. Sometimes these lower prices are with manufacturer approval.

A similar problem exists on items not fair traded, but with "suggested" retail prices set by national advertising and by distributors of national products. In the past these "suggested" prices have either been followed by the regular stores, or their orders were either not filled by the manufacturers or distributors, or were delayed to interrupt proper service to the retailer's customers. Today the discount house is using this "suggested" national price as a comparative, and is selling against it at a substantial discount.

The prospective customer is shown the established price charged by the retailer, and told that, "We can sell this to you for so much less." The regular retailer cannot meet this reduction because he is abiding by the list price. By this method the discount house has grown substantially, and according to a recent article in "Life," is now doing a volume of $5 billion a year.

What must the department stores do about this?

First, it would seem to me they need to be definitely convinced that the lower prices of the discount house are threatening the goodwill of the entire department store. If the department store price is undersold in refrigerators, percolators, furniture and rugs, why should a customer have confidence in the price of its women's suits, men's clothing, children's wear, shoes and hosiery?

Secondly, it would seem to me that the department store would want to know more about the means whereby the discount house can apparently undersell it. Can the discount house buy merchandise cheaper from the manufacturer because it is selling larger quantities of goods? Is it able to sell merchandise with less service to customers than the department stores or other regular retail agencies? Are enough customers satisfied with less service?

If people prefer to buy these types of merchandise at a lower price without service, and without guarantee, or perhaps even without delivery, the department stores should sell it to them that way.

The department store must learn which services the customers want for each kind of merchandise. It must lower its prices by what such additional services and guarantees cost.

The discount house has to pay rent, its management draws salaries, so do its salespeople, and its porters: Many of them advertise; many sell on credit.

Where is the great potential the discount house may exploit that the department store cannot equal? From what I know of department store management and expenses, I am convinced the department store has within its power the ability to sell merchandise and equivalent service at a combined price as low as, and in some cases lower than, the discount house.

But to do so the department store needs to know more about the costs of each of the services that it adds to merchandise. With this knowledge, it can be completely flexible according to the wants of the customers.

Flexible Service

What do I mean by flexible service? Retailing adds certain services to each piece of merchandise it sells. This is true of all forms of retailing. Some of those services are behind-the-counter costs, and others are from the counter forward. They involve all of the many things necessary to make the retailer's raw material (the goods received from the manufacturer) most acceptable to the customer—receiving, warehousing, display, selling space, lighting, porters to clean the stores, transportation, and hundreds of other necessary steps used in varying degrees with every kind of goods.

Equipment for the handling of sales, their recording, clerical work to insure availability and selection of goods when wanted and dozens of other facilities with which every retailer is familiar are also part of the same type of retailing. The department store must also pay the costs of good citizenship—make its contribution to all kinds of community activities.

Then, there are the direct credit, delivery, and adjustment services that are even more important to the department store customer. Should these services be applied horizontally to all types of goods which the store sells? Or, can the store, through knowledge of customer wants, make a choice as to what particular services should be applied to certain goods? **It is that choice, based on better knowledge of customer wants, that I am urging the department store to make in order to meet the discount house threat.** Testing our customer's desires through the right kind of research can quickly tell us whether the services we are now giving can in some cases be reduced and in others increased.

Of course, such flexibility puts the burden on the department store management to go much further than they have gone in ascertaining the cost of each of the services in which the merchandise is wrapped. This is not as difficult as it may seem. These costs can be ascertained by broad classifications of merchandise applied to goods in much the same way as the technique of LIFO inventory valuation has been used in retail accounting.

It is interesting to know that the Harvard Graduate School of Business Administration, in its Retailing Division, is beginning to work on cost determination. Through similar studies, retailers will not only be able to meet better the discount house threat, but they will know much more about their own operations and how to effect necessary economies for the competitive period ahead.

But this alone is not sufficient. The fair trade laws provide a serious block. The discount house today is making those laws inoperative. The laws ought to be promtly amended so as to permit any retailer, if he chooses, to meet a price at which another retailer sells a fair traded product. It should be the function of the manufacturer to so distribute his goods as to protect established prices. If he cannot, we as department stores ought to be given by the manufacturer an opportunity to sell at the same price as the discount house and to advertise that price, so customers will know we do not intend to be undersold.

I say this believing that we must maintain, in our retail business, the services to our customers that continually earn their good will. This must apply importantly to prices. However, I also want to be understood as not believing in loss-leader or improper price-cutting operations.

Also, with regard to the so-called nationally suggested price products, the manufacturer must assume similar responsibility. Some few manufacturers do, and with some success. They are spending large sums in this endeavor. Others, however, are using every device to maintain only a semblance of their retail price structure.

They suggest to retail outlets that they use larger trade-in allowances. They may sell a company's refrigerator with sufficient food to last a family X number of days, or give the washing machine purchaser enough soap to last for six months. The variations are infinite—all designed to keep the advertised price of the item at the so-called nationally suggested figure.

These manufacturers even go to the point of selling 1953 models manufactured in 1954 for those regular outlets that attempt to meet discount houses by low prices on promotional models, so that the 1954 price can be maintained by the regular outlet.

Neither of these programs, however, is satisfactory. I believe that America's department stores will, in the not too distant future, conclude that they can no longer tolerate them. They will insist on the same freedom of action with regard to the suggested price as the discount house uses. They will no longer be the show window for the manufacturer, to display a suggested price for the discount houses to sell against.

If such a plan is not acceptable to national manufacturers, then it seems to me that the department store must concentrate its buying with those manufacturers who do police their prices. In addition, it may need to develop its own brands, do its own advertising, and enter into those arrangements which will make it immune from the present sort of lawless hurly-burly that is threatening.

But the department stores need more than the opportunity to meet the discount house price by price on an equal footing.

If we are to do our share to build the market and the economy to a much larger goal, we will need to improve the customer services for which we are charging. Quality in our services is just as important to the customers as quality in our merchandise, and quality means the satisfaction which customers obtain, its promptness, its graciousness, and its efficiency.

One of the most important distribution tools is good selling — not only politeness in welcoming customers or directing them to the proper place for certain merchandise, but also the knowledge of the goods themselves, and the proper technique to close a sale.

In May, 1954, a large metropolitan newspaper in an important industrial area carried a story of a check on store selling services made by an independent research group during the previous Easter Week. Twenty-seven people had been given $10 each with instructions to spend it all quickly—within half an hour. The frustrated shoppers returned at the end of the specified period with the report that they could spend only $56.80 of the $270 because clerks wouldn't or couldn't wait on them. Not one of the shoppers had been able to spend his full $10 and abide by the rules. Many reported a tremendous indifference on the part of the clerks. Many of them completely ignored the customers.

This did not apply only to department stores, but to all kinds of retailers in that community.

This story strikes a familiar chord, because we in Federated have for more than three years been conducting extensive studies of the actual selling that takes place in our stores. The results were decidedly better than in the survey I have just described, but they revealed many weaknesses and substantial opportunities for improving the quality of the selling and the attention given to customers. We were missing many sales dollars.

Recently there was dramatic evidence that the retailers' selling has not been effective on soft goods. In a survey made for the Federal Reserve, the University of Michigan Survey Center called on representative American families.

One question asked was "What are some of the things, of any type, you are looking forward to buying some time?" In the answers there were yearnings for homes, for automobiles, for household goods. No consumers expressed a desire for any of the soft lines, or for any nondurable product. No one hoped to buy two more suits, or additional linen for the dining room or bedroom. It seems that there is an opportunity to do some better basic selling on these things.

Selling has, since 1940, become much less important to the management of the stores than it was in the good old days. When I first worked in the Lazarus store, I had to have a pretty logical and reasonable explanation for my boss for the loss of a sale to a prospective customer. If not, I was told things that I didn't forget very quickly.

Today, in too many stores, supervisors who have not come up from the sales ranks have grown to ignore selling responsibilities. Many of our colleges with retail courses do not insist on laboratory work done behind the counter. Because we have operated for so many years in a seller's market, the managements now laying down policies know much too little about what customers want in the way of selling service and how to give it. All of the techniques involved in good selling (and it is an interesting art) need to be restored. This must be handled promptly or good marketing becomes impossible.

Surely we have the management techniques to restore the interest and the organizational direction that will result in good selling.

I have heard of one large, successful paper outfit, the management of which found after both World War I and World War II that they had to discharge their entire selling organization and replace it with other people's salesmen in order to get over all

of the bad habits of the seller's market of the war years. Instead of following such a policy, however, we in retailing must recognize the seriousness of the problem we face and do an energetic retraining job instead of replacing our staff.

Another emphasis of the selling problem is used in a successful meatpacking house, where, over the desk of each executive, is the very pungent sign, "SELL IT OR SMELL IT."

The department stores are learning a good deal about selling from the new branches which they are establishing, because the branches have organizational responsibilities similar to the store management of a chain. The buying is done by the main store, in much the same way as the chain does its buying centrally.

The branch store management directs its attention to customer satisfaction and to selling more and more goods.

It is true that our stores are much more attractive, and in many ways they are much more efficient than prior to World War II. Customers can get into them, procure their merchandise and get out of them with much greater ease and in much less time—but this is not enough.

Also, in the many sales-supporting activities of the store, the customer point of view needs to be placed at the forefront. We should look for increased productivity, determined by how fast an operation can be streamlined and accomplished. But, we should also look for accuracy, so that the time of the customer need not be used to correct mistakes of which we are guilty.

This applies of course to the many phases of our business. Tests that we have conducted show the dozens and dozens of handlings to which a particular sale is subjected. An error in any one of these means a customer disservice. The opportunity for real improvement in this field is almost unlimited.

I know that successful department stores are doing many of these things. But we have to do them even better in order to compete in the new fields that our bright economic horizon opens up for us.

With the relative ease of procuring goods, the buying function of the so-called department store buyer of the past is becoming less important. Today, the buyer needs to assume the full responsibility of a department manager, and supervise and intensify the selling effort of his staff. He needs to know and to like customers. He needs to be helpful in suggesting short-cuts of operation and the elimination of red tape to improve customer satisfaction.

As the middle-income family goes up in the economic scale, it will not only have a wider choice of the goods which it buys, but also a wider choice of the stores from which it buys these goods.

That store will be most successful whose customers are assured that they can deal with it with confidence, comfort, and pleasant relations.

There is a tremendous profit in this repetitive customer who needs not be advertised for each day, but who comes because she likes to trade with you.

Good will, which touches all aspects of our business, is our main asset. It is affected by good service, of which good selling must be an important part. Fair prices, which may not be reasonably challenged, and aggressive operations to establish such good will are sure to be effective in the retailers' golden period ahead. If the economy is to be a growing one, tremendous efforts on our part are not only desirable, but a "MUST."

Continued from page 5

The State of Trade and Industry

buying to compensate for lower winter collections and exports, continues this trade authority.

Exports were not at first rated as too significant by domestic scrap consumers, but volume has been in excess of early estimates.

Motor vehicle production in the United States increased an unimpressive 15% last week but headed towards a new post-World War II low in October.

"Ward's Automotive Reports" on Friday last, said domestic plants are scheduling only 290,000 cars and trucks for completion in October, 17% below a near 7-year low of 348,000 in September.

Last year at this time the industry produced 554,906 cars and trucks in September and 615,048 in October.

But while industry output will be slipping this month due to 1955 changeover at Ford, Mercury, Oldsmobile and others, the 5,000,000th car or truck of 1954 will be built amidst rising 1955 model output tempo at Chrysler Corp., Chevrolet and Pontiac.

"Ward's" counted 79,472 car and truck completions in the United States plants last week against a two-year low of 69,044 in the prior week, the increase coming from termination of one-week inventory at three Buick-Oldsmobile-Pontiac plants of General Motors Corp.

In explaining October's scheduled drop in output, "Ward's" said the completeness of changeover to V-8 power plants and all-new styling will forestall peak output at Chevrolet, Pontiac and the four Chrysler Corp. divisions until November.

By mid-November, however, industry production will be roaring amidst a veritable rush of new model introductions that are expected to set a buying spree of record proportions in motion during December.

The statistical agency totaled September United States output at 285,500 cars and 63,000 trucks.

Steel Output Scheduled to Hold at 70.4% of Capacity This Week

The expected autumn upturn in the steel business is here, says "Steel," the weekly magazine of metalworking.

For the third consecutive week, steel ingot production increased. A 2-point rise in the week ended Oct. 3 put the ingot rate up to 68.5% of capacity—highest since June. In the last three weeks ingot production has risen 5 points.

All this increase does not come from new orders already booked, this trade paper states. It comes partly from preparations of the steel industry to meet orders that are expected to come out in the next few weeks. To be ready, mills are building up stocks of semi-finished steel, particularly slabs that will be transformed into hot-rolled and cold-rolled sheets for the automobile industry, where bulk of the rise in steel demand is expected to come from. Its big needs are light flat-rolled steel. So, mills are stocking up slabs from which sheets are rolled.

With steel in plentiful supply, customers demand quick delivery. The mill that can deliver gets the order.

The American Iron and Steel Institute announced that the operating rate of steel companies having 96.1% of the steelmaking capacity for the entire industry will be at an average of 70.4% of capacity for the week beginning Oct. 4, 1954, equivalent to 1,678,000 tons of ingots and steel for castings unchanged from the actual output of a week ago.

The industry's ingot production rate for the weeks in 1954 is now based on annual capacity of 124,330,410 tons as of Jan. 1, 1954.

For the like week a month ago the rate was 63.0% and production 1,502,000 tons. A year ago the actual weekly production was placed at 2,146,000 tons or 95.2%. The operating rate is not comparable because capacity was lower than capacity in 1954. The percentage figures for last year are based on annual capacity of 117,547,470 tons as of Jan. 1, 1953.

Electric Output Turns Upward the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Oct. 2, 1954, was estimated at 9,158,000,000 kwh., according to the Edison Electric Institute.

This represented an increase of 86,000,000 kwh. above that of the previous week, and an increase of 744,000,000 kwh., or 8.8% over the comparable 1953 week and 1,493,000,000 kwh. over the like week in 1952.

Car Loadings Show Slight Decline Below Previous Week

Loadings of revenue freight for the week ended Sept. 25, 1954, decreased 1,013 cars or 0.1% below the preceding week, according to the Association of American Railroads.

Loadings totaled 710,215 cars, a decrease of 109,494 cars or 13.4% below the corresponding 1953 week, and a decrease of 151,850 cars or 17.6% below the corresponding week in 1952.

U. S. Auto Output Rises 15% Last Week

The automobile industry for the latest week, ended Oct. 1, 1954, according to "Ward's Automotive Reports," assembled an estimated 62,232 cars, compared with 52,860 (revised) in the previous week. The past week's production total of cars and trucks amounted to 79,472 units, an increase above the preceding week's output of 10,428 units or 15%, states, "Ward's." In the like week of 1953 134,400 units were turned out.

Last week, the agency reported there were 17,240 trucks made in this country, as against 16,184 (revised) in the previous week and 22,636 in the like 1953 week.

"Ward's estimated Canadian plants turned out 2,200 cars and 1,032 trucks last week, against 2,058 cars and 802 trucks in the preceding week and 7,130 cars and 1,294 trucks in the comparable 1953 week.

Business Failures Show Mild Decline

Commercial and industrial failures dipped to 192 in the week ended Sept. 30 from 212 in the preceding week, Dun & Bradstreet, Inc., reports. While casualties were only slightly heavier than a year ago when 189 occurred, they exceeded considerably the 1952 toll of 129 for the similar week of that year. Continuing below the pre-war level, mortality was down 27% from the 264 recorded in the comparable week of 1939.

Failures involving liabilities of $5,000 or more declined to 162 from 187 in the previous week but remained above the 158 of this size a year ago. A slight increase, on the other hand, lifted small casualties, those with liabilities under $5,000, to 30 from 25 yet they did not quite reach their last year's toll of 31. Eleven businesses failed with liabilities in excess of $100,000 as compared with 13 a week ago.

Wholesale Food Price Index Declined Slightly In Latest Week

There was a slight decline in the Dun & Bradstreet wholesale food price index the past week. At $6.71, the index was 2 cents lower than the preceding week's $6.73, but it was nearly 1% above the year-ago figure of $6.66.

Higher in wholesale price last week were flour, beef, butter, eggs, rice, currants and lambs. Lower were wheat, corn, rye, oats, hams, bellies, lard, sugar, cottonseed oil cocoa, potatoes and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Prices Depressed By Weakness In Some Foods and Grains

Reflecting the weakness in some foods and grains, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., drifted slightly lower to close at 274.73 on Sept. 28. This compared with 275.98 a week before, and with 277.32 on the corresponding date a year ago.

Continuing the unsteadiness of the prior week, most grains were in diminishing demand. The weakness could be traced to the slow domestic demand, the rising visible supply, and the dullness of export markets.

After scoring steady gains, soybean prices slipped noticeably as indications pointed to a heavy harvest.

Following sharp losses in rye, quotations recovered markedly despite continued slipping in Canadian prices. Although there was the easiness in wheat prices, selling pressure did not develop to any large extent. Despite the sharply reduced acreage allotments for the 1955 wheat crop, the total carryover would most likely not be decreased. The demand for corn continued to be discouraged by potential imports of Canadian wheat for livestock feed and by the overplanting of many acreage allotments.

Flour buyers continued to exercise caution the past week as they limited their orders to nearby and fill-in needs. Commitments were not expected to lengthen unless prices declined decidedly.

The cocoa market moved within a narrow range a week ago and was generally firm. Although warehouse stocks of cocoa continued to accumulate last week, they were smaller than a year ago, reflecting the much smaller imports so far this year. Livestock prices regained the ground lost in the preceding week when heavy receipts bore down on quotations and reduced the hog prices to the lowest level in 19 months. Hogs were most active while lambs remained steady.

There was a firmer tone in the raw cotton markets in the week as the recovery in cloth markets encouraged many buyers.

Sales in the 14 cotton markets increased considerably to 492,600 bales from 355,900 in the preceding week. Although exports of cotton have been running below a year ago, the week before they tipped the comparable 1953 level. Net entries into the Government's loan program for the week ended Sept. 17 were 46,400 bales compared with 29,500 in the prior week.

Trade Volume Shows Little Change From Prior Week

In spite of aggressive promotions by downtown stores in many cities, retail business was better in suburban areas than central districts in the period ended on Wednesday of last week. Total retail trade was essentially unchanged from that of the prior week and the corresponding week of last year.

Improved sales of apparel and household items were offset by fewer purchases of automobiles and some heavy appliances.

The dollar volume of retail trade in the week was estimated by Dun & Bradstreet, Inc., to be 3% below to 1% above that of a year ago. Regional estimates varied from the comparable 1953 levels by the following percentages: Midwest and Pacific Coast —6 to —2; Northwest —3 to +1; Southwest —2 to +2; South —1 to +3; East 0 to +4, and New England +2 to +6.

With the exception of topcoats and hats, men's clothing sold better last week than a year ago. Three- button suits in charcoal colors were in greatest demand. Women's coats, suits, dresses and lingeries were also bought frequently. Piece goods sold well and medium-priced furs were more popular than a year ago.

Food purchases were equal to those of the preceding week and considerably higher than a year ago.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ending Sept. 25, 1954, increased 3% from the level of the preceding week. In the previous week, Sept. 18, 1954, no change was reported from that of the similar week in 1953. For the four weeks ended Sept. 25, 1953, an increase of 2% was recorded. For the period Jan. 1 to Sept. 25, 1954, department store sales registered a decrease of 2% below the corresponding period of 1953.

As a result of very warm and close weather, two religious holidays and the start of the World Series, retail trade in New York City the past week was substantially reduced and, according to trade observers, sales volume would be slightly under that of the like week in 1953.

According to the Federal Reserve Board's index department store sales in New York City for the weekly period ended Sept. 25, 1954, registered an increase of 1% above the like period of last year. In the preceding week, Sept. 18, 1954, an increase of 3% was reported from that of the similar week in 1953, while for the four weeks ended Sept. 25, 1954, a rise of 4% was reported. For the period Jan. 1 to Sept. 25, 1954, an increase of 1% was registered above that of the 1953 period.

Mutual Funds

By ROBERT R. RICH

MEMBERS OF the Securities and Exchange Commission and various State Security Commissions will join with investment dealers and business leaders from all over the United States at a two-day observance in Houston, Texas, of "50 years of industrial growth in the great Southwest."

Hosted by the Texas Fund, Inc., which is coincidentally marking its fifth anniversary as a mutual fund, the party will kick off Oct. 28 with an old-fashioned chuck wagon get-together on a 129-year-old ranch several miles from Houston.

Visitors will be provided with Texas boots, blue jeans, cowboy shirts, and ten-gallon hats so they will "feel at home" in a planned roundup, calf-branding and rodeo.

After reliving the early Chuck Wagon Days of the Southwestern Plains, the visitors will spend Oct. 29 on a tour of the massed industrial plants along the Golden Crescent Gulf Coast of Texas in company with some of the Southwest's original pioneers. The party will see at first hand the physical plant that enables Texas to rank as "first in sulphur, first in chemicals, first in cotton, first in oil, and first in natural gas."

A feature of the two-day roundup will be a business forum in which investment bankers and company presidents will talk out any difference of opinions they may have.

The Texas Fund, which features investments in the securities of companies doing business in the Southwest, has total net assets of more than $16,000,000 after starting with only $146,786 just five years ago.

With Allan Blair Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert H. Moore is now affiliated with Allan Blair & Company, 135 South La Salle Street.

SALES OF the National Securities Series of Mutual Funds for the first nine months this year totaled $40,176,371, the highest in history for the period and an increase of 9.6% over the first nine months of 1953, according to figures released by E. Waln Hare, Vice-President of National Securities & Research Corporation which manages and sponsors the funds.

The number of shareowners on Sept. 30 set an all-time peak at 87,942, compared with 76,600 at the end of 1953. Outstanding shares increased to a total of 32,978,421 from 27,900,000 in the same period.

Total assets were $188,500,000 on Sept. 30, compared with $133,500,000 at the close of 1953 and $122,100,000 on Sept. 30, 1953.

KEYSTONE Income Preferred Stock Fund K-1 reported a gain of more than 10% in per share net asset value during the fiscal year ending Aug. 31, 1954.

The annual report also noted that the Fund maintained its 1953 dividend rate in fiscal 1954 despite the fact that further easing of money rates and higher prices had generally reduced the rate of return of preferred stocks as a whole.

Comparisons for the year follow:

	Aug. 31,'54	Aug. 31,'53
Total net assets	$39,820,932	$35,226,773
Shares outstanding	2,162,522	2,112,321
No. of shareholders	20,309	19,697
Income per share	44c	44c
Value per share	$18.41	$16.68

The combined net assets of the 10 Keystone Custodian Funds totaled $263,120,700 on Sept. 28, 1954.

THE COMMON STOCK Fund of Group Securities, Inc. reported assets as of September 30 of $12,580,750, double the $6,285,079 a year earlier. Per share asset value increased from $8.20 to $10.16; shares outstanding from 766,601 to 1,236,477.

Total assets of all Group Securities funds on Sept. 30, were reported at $68,433,526, compared with $52,632,709 a year earlier. During the same period, shares outstanding increased more than 1,000,000 from 8,845,064 to 9,853,418.

Sales of all Group Securities funds, at $12,923,076, showed an increase of 80% for the first nine months of 1954. September sales of $1,860,229 were up 165% over those for September, 1953.

RECORD SALES of Wellington Fund shares for the September quarter and for the first nine months of 1954 were reported by A. J. Wilkins, Vice-President.

Gross sales in the third quarter of 1954 amounted to $14,810,181—largest for any comparable period in the Fund's 25-year history and up 23.9% over sales of $11,951,102 in the corresponding period last year.

For the first nine months of 1954, sales were $45,904,292, as compared with $40,356,143 in the like period of 1953.

September sales of $5,040,705 also broke all previous sales records for that month and were up 23% over September a year ago.

The Fund closed the first nine months with total net assets at an all-time high of $363,245,739, or $23.26 a share, as compared with $262,055,331, or $19.56 a share, on Sept. 30, 1953. Wellington Fund is now owned by more than 130,000 shareholders located in all of the 48 states and in many foreign countries.

Latin Scholar Hale Reports on Pliny

Edward E. Hale, our sometime Boston correspondent, sent along to us a copy of a letter from one of Boston Fund's shareholders. Says the shareholder, "In the letters of the younger Pliny (100 A. D.), Book III, letter XIX, I find this maxim, which I recommend to your attention.

'Tuttus videtur incerta fortunae possessionum varietatibus experiri,' which, freely translated by Mr. Hale, reads, 'It seems safer to test the uncertainities of fortune by a variety of possessions'."

"I'VE BEEN wondering—is the market too high?" is the title of new folder published by Hugh W. Long and Company, national underwriters of Fundamental Investors, Inc., a mutual fund. Written in narrative form, the story features J. (for Jonah) Jones, who also appears in the leading role in "It Couldn't Be Worse," a folder which has had a circulation of more than 200,000 copies in a year.

Some of the questions discussed in the new Jonah Jones folder are, "How can you buy common stocks today for relatively less than you had to pay in 1933, 1935 or 1938? What's ahead for American business? Shall I invest right now? Are there good long-term values in common stocks today?"

TOTAL NET assets of New England Fund were $10,026,152 on Sept. 30, 1954, compared with $6,699,358 nine months earlier.

A major factor in New England Fund's growth during 1954 has been appreciation in the market values of the securities owned by the Fund. The net asset value per share of $20.55 on Sept. 30 was 18% higher than the $17.37 per share value at the end of 1953. This gain was accomplished with less than 70% of the assets in common stocks and other aggressive securities.

The 26% increase in number of shares outstanding—489,042 shares from 385,690 shares at the 1953 year-end—reflects, in part, a more widespread interest on the part of investors. The New England Plan, which was first made available in the latter part of 1953 by the national distributor and enables investors to purchase New England Fund shares as often as they wish and to reinvest all distributions paid by the Fund, has been well received. More than 20% of New England Fund's 2,696 shareholders are using this plan.

The third factor was the merger, effective July 1, 1954, of the assets of Mutual Fund of Boston, Inc. into New England Fund. Mr. Carl A. R. Berg, the senior partner of the Boston investment counsel firm of Russell, Berg & Co. and President of Mutual Fund of Boston, Inc. since its organization, is now a Trustee of New England Fund.

LOOMIS-SAYLES Mutual Fund, now nearing the close of its 25th anniversary year, announces that as of Oct. 1, 1954, its assets had reached $38,659,631. At the same time there were 937,876 outstanding distributed among 6,700 shareholders.

As of Oct. 1, 1953, the fund had $31,010,685 in assets, 847,339 shares outstanding and 5,800 shareholders.

Directors declared a year-end dividend from investment income of 40 cents a share payable in cash on Oct. 15, 1954 to stock of record Oct. 4.

The year-end capital gain dividend for 1954 will be declared early in November.

DIVERSIFIED INVESTMENT Fund, Inc., a mutual fund investing in bonds, preferred and common stocks, reports total net assets of $44,804,985 on Sept. 30 last, compared with $31,525,395 a year earlier.

Net asset value per share was $8.12, compared with $6.27 on Sept. 30, 1953, a gain of 29.5%.

BROAD STREET Investing Corporation's sales for the first nine months of 1954 reached $10 million—80% more than during the first nine months of last year.

Sales of shares have been well maintained throughout the year, according to Francis F. Randolph, Chairman of the Board and President, who reported September sales of $961,000, an increase of 37% over the $703,000 reported in September, 1953.

Shares repurchased from investors so far this year also increased over last year, reaching a total of $1,812,000 by Sept. 30, 1954, compared with $1,246,000 by Sept. 30, 1953. Net sales of $8,178,000 for the first nine months of this year were 90% higher than the $4,309,000 reported in 1953.

GROSS SALES in September of Delaware Fund amounted to $416-758—largest for any similar month in the Fund's 16-year history and up 42% over September a year ago.

Sales of $1.288 741 in the third quarter of 1954 also were the largest for any comparable period. They represented an increase of 34% over sales of $956,000 in the like period last year.

For the first nine months of 1954, sales amounted to $3,558,621 as compared with $2 824,000 in the corresponding period of 1953.

Total net assets of the Fund on September 30, last were at an all-time high of $21,405,146, or $19.08 a share, as compared with $14,794,277 or $15.01 a share on the same date a year ago.

PERSONAL PROGRESS

JOSEPH M. FITZSIMMONS, President of Investors Diversified Services, Inc., today announced the resignation of James R. Ridgway, Sr. as Vice-President, Mortgage Division.

Mr. Ridgway, who joined the IDS organization in 1934, has organized the Ridgway Construction Company and will engage in home building in Minneapolis area.

Mr. Fitzsimmons stated that in order to retain the benefit of Mr. Ridgway's extensive experience in the mortgage field IDS had engaged his services as a mortgage consultant for an indefinite period.

T. L. Kenealy, who has been Assistant to the Vice-President, Mortgage Division, has been appointed Director—Mortgage Division, and will asume responsibility for that department. Mr. Kenealy joined the staff of the IDS organization in 1947.

HARLEY A. DEGEN, who has been on the legal staff of Investors Diversified Services, Inc. since 1945, has been elected Secretary of IDS, the company announced today.

Mr. Degen succeeds Harry T. Newcomb, who has resigned in order to resume the general practise of law in Chicago, Ill., with the firm of Crowley, Sprecher and Weeks. Mr. Newcomb was general attorney for The Chesapeake and Ohio Railway Company before coming to IDS in 1951.

WILLIAM H. LACEY, JR. has been appointed Wholesale Representative for North American Securities Company in northern California, Nevada and the Pacific Northwest, according to S. Waldo Coleman, President.

North American is investment adviser and general distributor for Commonwealth Investment Company and Commonwealth Stock Fund.

Mr. Lacey was formerly associated with F. Eberstadt & Co., Inc., distributors of Chemical Fund, Inc.

Joins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Victor B. Starnes has become connected with Dempsey-Tegeler and Company, 210 West Seventh Street.

With Daniel D. Weston

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Sidney Karnow has joined the staff of Daniel D. Weston & Co., 118 South Beverly Drive.

Continued from page 9

Pointers for Federal Tax Policy

theless barbed reference by Mr. Eaton to our income tax psychosis and to the phobia so prevalent here against exicse taxes in general and a broad uniform excise in particular.

Among the consequences of this phobia against excise taxation are the following:

(1) The Federal budget is rendered highly vulnerable to variations in economic conditions by its dependence on the income taxes for well over 80% of the total Federal revenues:

(2) There is both political and popular acceptance of excessive, even abusive, rates of tax on incomes and complete disregard of the consequences of this method of national suicide;

(3) There is both political and popular acceptance of the view that if the needed governmental revenues cannot be obtained through the income taxes it can't be had, and it should not be sought through other tax methods. Rather, whatever budget deficits that may ensue are to be not only endured, but welcomed.

These are matters that should have full discussion. The NTA is an appropriate forum for such a purpose, but this particular luncheon session is not the proper time or place. I propose to dwell briefly on two points, namely: the evils of tax rate progression, and the injury done to the states by Federal monopoly of the income tax.

The Case of Tax Rate Progression

We are all greatly indebted to Professors Blum and Kalven of the University of Chicago Law School, for their careful review of the literature of tax progression, ranging historically and alphabetically from Bentham to Seligman, and for their acute examination of the doctrinal foundations that underlie this concept.[1] The power of their discussion is not so much in the arguments reviewed, for these have been stated many times by others; but in the provocative evaluation of the reasoning advanced in support of these arguments.

These writers line up three major points against progression. They are:

(1) "The price paid for it in terms of complicating the structure of the income tax, expanding the opportunity for taxpayer ingenuity directed to lawfully avoiding taxes, creating very difficult questions of equity among taxpayers, and obscuring the implications of any given provision in the tax law."

It is obviously much more impressive when lawyers, rather than laymen, dwell upon the problems of administration and of equity which tax progression inevitably involves. It is particularly significant to find lawyers who are frank enough to admit that a substantial part of the work they do in the practice of income tax law stems from the complications produced by progression.

(2) Progression is a politically irresponsible formula.

Professor Haig said much the same thing years ago in the "Encyclopedia of the Social Sciences" when he wrote that progression is a means whereby the group that is economically weak but politically strong can transfer a burden to the group that is economically strong but politically weak.

A reply by some to this criticism of progression is that it implies a breakdown of the whole concept of policy determination in a democratic society by majority rule. This gets rather deeply into political philosophy. We must distinguish here between the right of the majority to make and enforce policy decisions, which is what is meant, and all that is meant by majority rule, and the method of distributing the cost of these policies. For example, the majority vote to build a bridge or maintain a standing army becomes settled policy, though a minority may be opposed to the bridge or the army. But it is not an inherent element of majority rule that opponents of the majority policy shall be the only ones to pay for this policy, or that they shall pay toward its cost on any basis different from that on which the majority pays. On the contrary, any and every device whereby some can vote burdens for others to pay while exempting themselves is a travesty on the concept of majority rule. But precisely this outcome occurs under the progressive taxation, as Professor Haig has so well said.

(3) It lessens the economic productivity of the society.

This point alone in the indictment should be sufficient to condemn the practice. In a highly developed capitalistic society, economic productivity depends to a unique degree on the maintenance and growth of capital. The capital fund must be supplied out of savings. Progressive taxation impedes capital formation by draining off income that could and would otherwise be saved and invested, and it undermines the incentive to make this kind of application of even the small amount of income remaining after tax.

The conclusion to which Professors Blum and Kalven come at the end of their painstaking examination of the arguments pro and con is not new, but it is noteworthy that an old judgment should be reinforced by a fresh survey. These writers say:

"The most distinctive and technical arguments advanced in its behalf are the weakest. It is hard to gain much comfort from the special arguments, however intricate their formulation, constructed on notions of benefit, sacrifice, ability to pay, or economic stability. The case has stronger appeal when progressive taxation is viewed as a means of reducing economic inequalities."

More than 40 years ago Professor Taussig wrote that the only defensible case for progression was the socialist case for the redistribution of wealth and income. Thus we get back to the real issue, which is that of the best way to advance our society along the road to greater well-being. If we accept the reduction of economic inequality as a purpose so powerful and compelling as to outweigh all that can be argued in opposition, there can be no logical stopping place short of complete equalization down to the lowest common denominator of income. Just where the appeal is that our authors seem to find in this situation is far from clear to me. I have always supposed that with our devotion to private ownership, enterprise, initiative, thrift, and risk, we would expect the advance of well-being to come by making an ever bigger pie which would allow everyone to have a bigger slice even though not all were the same size. The alleged "appeal" in progressive taxation suggests that economic progress will come by making an ever smaller pie to be cut into pieces all of the same, though constantly diminishing, size.

The equalization motif stems directly from the "Communist Manifesto." The objective of Marx and Engels was the liquidation of the middle class through heavy progressive taxation of incomes and inheritances. The individual income tax scale now in effect is well calculated to accomplish this result. The percentage point spread between the first bracket rate of 20% and the top bracket rate of 91% is 71 points. Half of this spread, or 36 points, is imposed at the taxable income bracket of $20,000-$22,000, where the rate is 56%. I doubt if Marx and Engels would have asked for more than that.

A stock answer to earlier arguments about the destructive effects of progression was that such arguments were unsound because the destruction had not happened yet. Let's take a parallel case. We know that if nothing is done about soil erosion, the top soil of the Mississippi basin will eventually be eroded and washed down into the Gulf of Mexico. But it hasn't happened yet, so why worry about soil erosion? We still have a large capital supply, so why worry about the eroding effect of progression?

Our authors make a footnote detour to comment on what they call my use of the "guilt by association" argument. Some years ago I had written that many who are not Communists were giving aid and comfort to the Communist cause by their supoprt of progressive taxation. How can it be otherwise? This latest survey concludes that the only leg under the progressive tax case that will support any weight at all is the Communist goal of reducing economic inequality until it is eliminated. The person who is killed by the gun that wasn't loaded is just as dead as if the fellow who pulled the trigger had had murder in his heart. It would be interesting indeed to find out how many who have been most active in their pursuit of Communists in and out of government would make a strong speech in opposition to progressive taxation.

Federal Encroachment on the States

The second topic that I discuss briefly is the damage done to the states by the obsession, fixation, psychosis, or whatever the insistence on a virtual Federal monopoly of income taxation may be called. The damage has been done in two ways: first, the encroachment of the Federal Government on total tax resources, and second, the continuing high proportion of Federal revenues obtained through the income taxes. From 1932 to 1953 the relative shares of the Federal Government, and of the state and local governments, respectively, in the total taxes collected were almost exactly reversed. In 1932 the Federal share of total tax collections was 23% and the state and local share was 77%. In 1953, the Federal share of a total revenue 10 times as large was 76%, while the states and their local units together had 24%. And more than 80% of the immense Federal tax take came from the taxes on income.

The financial requirements of war have been the most important single factor in this shift, but by no means the only one of importance. There has been a continuing expansion of Federal services, authority, and grants for all manner of purposes that were once matters of state and local concern, and that could today be handled at home as well, or even better, than by the central government. The resulting tax squeeze on the states has been terrific. It has induced some states to resort to tax methods quite alien to the standards of uniformity and interstate comity for which this Association has stood over many years. It has forced state tax administrators into undignified snooping at the state borders for the nickels and dimes that might be collected from citizens who stray into liquor stores or other emporia across the state line.

The tax squeeze has had some offsetting counterpart in the grants-in-aid, and together they have set in motion a spiral that has enhanced the Federal power and prestige, impoverished the states, and substituted centralized bureaucracy for local home rule.

The problem has been dealt with in piecemeal fashion on various occasions. One approach has been through some kind of separation of Federal and state tax sources. As a contribution to this line of thought the Treasury has compiled at intervals over the past 20 years a study of overlapping Federal and state taxes. The latest version of this perennial has recently been done for the Commission on Intergovernmental Relations. Another approach has been the attempt to devise some workable allocation of service responsibilities between the two levels of government.

It should be apparent that the only chance of success lies in a simultaneous reallocation of both tax resources and service responsibilities. Obviously, the states cannot assume a larger part of the governmental service load without having access to a larger pool of tax resources. The reverse is equally apparent, namely, that the states cannot take over a larger share of the total tax collections without relieving the Federal budget of some of the expenditure load that is now carried in that budget.

Realization of the double-barreled nature of the problem led to the program which was formulated some years ago by the Government Finance Department of the National Association of Manufacturers and published under the title—"Bring Government Back Home." In that program a limited degree of tax separation is proposed, including return of the gasoline and oil taxes and the estate and gift taxes to the states; and relinquishment of a group of excise taxes from Federal use to potential local use. In this group are the taxes on admissions, dues, safety boxes, entertainments, and the documentary stamp taxes. These taxes are well adapted to local administration and may well be left to local use. They comprise, however, only the fringe of the problem. There is no feasible scheme of tax separation across the board by which the legitimate revenue requirements of all states could be met. Local preferences and prejudices as to the kinds of taxes to be used by individual states must be reckoned with, and it would be useless to recommend, and impossible to compel, that all states adopt a uniform pattern of taxation for state and local purposes that would provide a guide to some sort of specific tax allocation.

It is not my purpose here to dwell at length on the program that we developed as a solution. The central feature of it is the simple but basic economic fact that all taxes are paid out of income, regardless of the many ways that have been devised for tapping the income of the people. Income is the one and only tax resource, and all taxes are paid either as income is received or as it is spent. The Federal Government has established so nearly a monopoly of taxation on income as it is received as to undermine the ability of the states to get a proper share, whether through state income taxes or by any other method.

The first step, therefore, is to reduce the proportion of Federal revenue collected on income as it is received and to increase the proportion collected as income is spent. This requires two steps: first a reduction of income tax rates and, in the case of the individual income tax, a drastic reduction of the range of progression with a proportional rate as the eventual goal; and second, a development of Federal excise or consumption taxes. There would be no need for every state to introduce an income tax, or a sales tax, or any other tax not consistent with local preference. The important point is that as more income is left at home in the pockets and the bank accounts of the people the enlarged pool of tax resources can be drawn upon locally in any manner that may be acceptable to the citizens of the several states.

Concurrently with this adjustment would go a material reduction of the Federal budget by transfer to the states of full financial and admiinstrative responsibility for the services now financed through grants, and a further cut in Federal cost by the savings in Federal personnel and better management of the functions that properly belong at the Federal level.

Earlier I recalled to you the controversies within the membership over bank taxation and the Federal estate tax. These matters may appear of minor importance today. They were live issues then and they were debated with vigor and a strength of conviction that was fortified by the divergent state interests. The two matters that I have put before you here in barest outline, namely tax progression and Federal concentration, are much more important than the taxation of banks and estates. Progressive taxation is unsound in theory and its application, once begun, can never be halted short of destructive excesses that are a threat to our economic future. The growing concentration of fiscal and political power in Washington is a threat to our form of government as a union of states and to the way of life that we enjoy under the Constitution.

I suggest that the National Tax Association could engage in nothing more beneficial for both our economic and our political society than a thorough discussion of these topics. Light rather than heat is the prime desideratum, but the debate should not be so lukewarm as to produce no sparks. Heat in debate does sometimes produce light, and light may bring enlightenment. In dealing with issues as critical as these I have mentioned we need more enlightenment and less political, mass, and class prejudice.

[1] Walter J. Blum and Harry Kalvin, Jr., "The Uneasy Case for Progressive Taxation," University of Chicago Law Review, Volume 19, No. 3 Spring, 1952.

Hudson Pulp & Paper Offers New Preferred

Public offering of 200,000 shares of $1.41 dividend cumulative second preferred stock, $24.50 par value, of Hudson Pulp & Paper Corp., 58-year-old manufacturer of kraft and tissue paper, was made on Tuesday (Oct. 5) by an underwriting group headed by Lee Higginson Corporation. The stock is priced at $24.50 per share and is convertible share for share into the company's class A common stock through Dec. 31, 1964, at the initial conversion price of $24.50 per share.

Proceeds from the sale of the new preferred together with other funds including proceeds from the concurrent private sale of $4,000,000 of the company's 5.7% cumulative preferred stock, series C, and of a $1,000,000 4% promissory note will be used to pay part of the cost of installing the third paper machine and related facilities at the Palatka, Fla., mill. The new addition will boost Hudson's overall paper-making capacity to approximately 218,000 tons annually. Other plants are located at Augusta, Me., and Bellows Falls, Vt. Hudson is one of the largest producers of kraft gummed sealing tape for industrial use and of household paper napkins.

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Grounds for a Changed Federal Power Policy

carry on commercial business than if it were the sole proprietor. Even so, the faults, weaknesses, and undesirable characteristics and fruits of government in business begin to manifest themselves to the average person in even the earlier stages. This is one of the reasons for the change in public sentiment that has occurred in the last few years.

As time rolls on and the monopoly of government grows more complete, primarily through the destructive use of taxation, the contrast between its commercial performance and that of the free enterprise system becomes glaringly apparent. Of course in the more advanced stages of nationalization of industries, governments and government agencies hide the facts from the people. The people's thinking is limited because of what they are not permitted to learn. Disparities in living standards between countries with nationalized industries and those with genuine free enterprise are so great that true comparisons would be unendurably odious and might provoke internal explosions. Such conditions do exist and are now more widely known in the world today, and this is another reason for changing public sentiment. It is this longer range picture that needs to be faced up to in the day-to-day decisions and actions on Federal appropriations that result directly or indirectly in putting Federal agencies into commercial businesses.

Socialistic Pressure Groups

For 60 years or more, certain tightly knit groups in this nation have been advocating and lobbying for Federal legislation to control and own natural resources, and to obtain appropriations for their development by the Federal Government. At the same time they have striven unrelentingly, and with remarkable success, for restrictive and discriminatory statutes against private capital. They have striven to place officials in the Federal Government who would translate their new statutes into even more restrictive and discriminatory regulations against free enterprise and in favor of governmental proprietary business. They have used tax exemptions to favor governmental proprietary businesses, free grants and loans at very low rates of interest, deferments of payments of principal and interest, harsh discrimination in the sale of power from government property paid for by the taxpayer, etc.

We have just seen a further demonstration of this effort to extend the domination of the Federal Government in the power business in the maneuvers first to prevent the passage of, and then to insert discriminatory provisions inimical to free enterprise in the amended Atomic Energy Act which recently passed the Congress.

Those who have wanted to see the government assume all or many of the economic cares of its people, in this land and in other lands, have for many decades considered the control of electric power as the most promising field in which to take a long step toward gaining control over the means of production of the nation. This has made it the focal point of many political struggles.

Most of those voting for legislation which put the Federal Government into the power business have not been in favor of government in business. They have had no desire to cripple or destroy free enterprise. They have, however, reached for immediate benefits to their localities through Federal spending. They have hoped and tried to convince themselves that the evils growing from government intervention into business in their area were far away and were intangible and could safely be disregarded. To state this another way, those voting for appropriations to expand the Federal power business appear to have thought that the people could have their political freedom unimpaired and at the same time indulge in Federal handouts.

Some have not seemed to realize that free enterprise cannot be driven out or starved out of the power business without, sooner or later, profoundly and adversely affecting the future of other basic industries. The added weight of taxation alone on the remaining segments of free enterprise would go far to accomplish that result, even if there were no other adverse effects.

It now becomes increasingly apparent to thoughtful minds that the American government cannot go into business on a significant scale and remain a true republic. It is a well recognized principle that political freedom cannot exist without genuine economic freedom. If the citizens of the country receive their economic support from the government, they are powerfully moved to surrender their political independence. Of course we may retain the form of a republic. Even the Soviet Union holds popular elections. So did the Nazi government, but we would have a republic only in name.

More and more people have heard about the unfavorable results of nationalized medicine in England and about the unfavorable experience of the people in England, France and other countries where certain basic services and industries have been nationalized. They have heard about shortages and complaints, and of slow and ineffective measures to relieve unsatisfactory conditions, and they have heard of central government control of labor. The resultant conclusion by people in this country has been, of course, that they are better served by free enterprise than they would be if our nation were to follow the course pursued by these other countries.

Assets of Government Business Now $50 Billion

In the meantime published figures of our own Federal Government now show assets of government corporations and government business activities at more than $50 billion.

Two commissions appointed pursuant to acts of Congress are now engaged in studying the nature and extent of government incursion into business. The sharp change in the course from the traditional Amercan way of life that has taken place in the past two decades is now so widely recognized that it can no longer be ignored by the legislative or executive branches.

Knowing this, the professional proponents of Federal Government power, and those who have been misled by them, have resumed with new vigor their clever semantics, with quips and cliches and with half-truths, and with false and irresponsible charges against even the most honored citizens of our country, in their efforts to revolutionize our fundamental economic system. Unquestionably there are many who have been misled who have no such motive. But that there are many who do have an objective of rule and ruin is all too clear from the record. I will have more to say about that later.

Although the extent of the consequences of the change in the course of our government has been obscured by the tremendous cost and influence of the hot and cold wars of the past 15 years, nevertheless some of the influences of government in business have been unmistakably discernible. The cost to the Federal Government for civil functions has gone up enormously. Taxes, direct and indirect, are substantially increased. These taxes permeate every phase of the life and business of the American citizen, and the cost of living has increased in proportion. It is now also unmistakably discernible to the American people, including the committees of Congress, that, with the expansion of the Federal Government in commercial business, there is a growing tendency of bureaucratic inefficiency in the handling of other people's business, a tendency to bad and repeated mistakes, a tendency to cover up failures, to give evasive, misleading, and sometimes false answers and reports, to be arrogant and unjust, to disregard legislative restrictions, and to yield to corruption and dishonesty. This has been particularly disturbing because from the time of George Washington our Federal Government has stood out notably among the best in history for the ability, integrity and objectivity of its administrators from the top all down through the ranks. And the American people are discovering that government monopoly is far less controllable and far less responsive to local needs and wishes than they would ever permit in any private monopoly. It has been said, "The power to do things for you, eventually becomes the power to do things to you." This the American people have learned.

Feeling the growth of unfavorable reaction, both from Congress and from the public, professional proponents of the expansion of the Federal Government into the power business now protest that they have no idea of driving investor capital out of the power business. They go so far as to profess that both are needed to assure the supply of future power requirements of America. It is hard to believe that this profession of co-existence has any sincerity.

This idea of co-existence stemming from the professional government power advocates, has a familiar ring. It has been advanced in international affairs in certain other sections of the globe. And there is a proper place for it in many things. But, as in those other sections of the globe, it here has some of the aspects of a Trojan Horse.

A moment ago I said there would be more to mention about the socialist planners.

I recall one H. S. Raushenbush who, with his associates, established the present Socialist Party policy in America of "Encroaching Control," and of "Gradual Socialization of Industry." Rauchenbush stated that policy in this way:

"There is no driving power for Socialism like hunger . . . . The old time carrying drive of Socialist doctrine was in poverty and prophetic promise. These no longer hold us. . . . Between cataclysmic Socialism (revolution) and encroaching control (a little Socialism at a time), the latter will be the only one acceptable to this nation. . . ."

Continuing to quote from Raushenbush:

"Our long time aim is the abolition of the profit system for private use. . . . We must force our experts on agriculture, trusts, coal, power, subways, housing, milk, etc., to tell us correctly which the next steps are, and then take them and identify ourselves with their success."

This was, and is, the program of the Socialists in America.

Conforming to his own announced tactical strategy, you will recall that Raushenbush and many of his associates entered Federal Government service to effectuate their schemes. You will recall that Raushenbush himself went into the Department of the Interior in 1939. And in 1941 he became Chief of the Planning Section of the Power Division of the Department; and when he finally resigned as late as 1947, he was Chief of the Economics and Statistics Branch of the Division of Power of the Interior Department. You are aware also that during his period of Federal service, his planning was reflected in the mapping of interconnected Federal power systems, stretching from Maine to San Diego, and from Miami to Puget Sound. The Raushenbush policies, and Socialistic policy makers, continued in the Power Divisions of the Interior Department as late as 1952, and they have probably not all been weeded out yet.

Now, where in all of that record—starting in 1924, and earlier, with the Public Ownership League of America, the Public Ownership magazine, and its contributors; the leading socialist newspapers, and the avowed policies and programs of the Interior Department during all of the two preceding decades—where is there any evidence that would support a belief in the protestations at this time of the professional government power advocates that they would limit themselves to co-existence. I, for one, am not convinced. It is not a partnership which they propose; partners are all governed by the same rules. The professional Federal Government power proponents who advance this idea know full well that laws are now on the statute books, placed there by their own scheming during the past few decades, which are skillfully designed, if possible, to force private capital sooner or later to withdraw from the power field.

Discrimination in Taxation

The most destructive provisions of this legislation are those which create discriminatory taxation by exemptions granted to governmental proprietary power businesses. Their customers are not then called upon to bear the heavy share in the cost of government that users of electricity supplied by electric companies, along with all private business generally, are called upon to pay.

Other statutory provisions give further preference to these same tax-exempted governmental proprietary businesses in the purchase of power from the Federal Government. This power is generally sold at about half its true cost, thus giving another substantial financial advantage to these privileged governmental proprietary businesses. Many other restrictions and discriminations have been built into Federal laws to handicap, discourage and drive private capital away from the power business. Thus alleged cheap government power becomes "government high cost power"—the highest cost power the American people have ever purchased.

Hamstringing and sapping the incentive of free enterprise has not been confined to the electric business. Other businesses have experienced like treatment. Speaking editorially of the traffic problems of the New York metropolitan region and pointing out that for 25 years or more there has been a policy of discouragement and a policy to destroy passenger transport by rail, the New York "Times" of March 24, 1954, observed, "And if we couldn't do it (i.e., destroy them) with cut-rate (government) competition, then we did it with taxation."

It is a long recognized and proven principle that a people cannot remain half free, half slave. Sooner or later they must go one way or the other. This basic principle surely applies to the Federal Government's move into the power industry.

Proposed Amendments to Federal Power Legislation

Briefly the following are some of the important amendments in Federal legislation which are required in the interest of stopping the socialist movement and required in the interests of common justice to the customers of power companies:

(1) All Federal power projects should be required by statute to include as part of the project and part of the operating costs such sums as would be payable as taxes by private enterprise carrying on the same or similar business. The portion of such sums as would be equivalent to Federal taxes should be paid to the Federal Treasury.

(2) Federal power projects or the part of Federal multi-purpose projects realistically allocated to the power function should be made subject to local taxation the same as other property and business.

(3) The tax exemption presently enjoyed by the proprietary power businesses of states, municipalities, public utility districts and other governmental proprietary businesses should be removed.

(4) The tax exemption presently enjoyed by such bodies from income taxes on the income from securities issued to finance such businesses should be removed.

To illustrate one effect of this discrimination against the customers of power companies: Total taxes alone now add 5.4% to the annual fixed charges on capital cost which the power companies must obtain from their customers. In contrast, the Federal Power Commission in figuring the cost of power generated by Federal projects uses only 4.4% as the total fixed charges on federally financed hydroelectric plants and uses only 3.9% as total fixed charges on federally financed steel tower transmission lines in calculating the cost and approving the rates for power generated and power delivered from Federal projects.

Another illustration: Rising taxes and increased labor, fuel, and equipment costs have necessitated rate increases. But under present Federal income taxes, for each dollar of needed rate increases more than another dollar has to be added to the increase merely to pay the Federal income taxes resulting from the additional revenue. Discrimination in levying taxes on one class of electric customers and exempting another class is just plain indefensible.

(5) The laws governing the sale of power from Federal projects need to be amended to require that power be sold at the point of generation at its fair market value and be allocated in proportion to the number of rural, residential and retail commercial customers served by the respective applicants.

The sale of power at the point of generation would keep the power business of the Federal government truly incidental to its functions of navigation, irrigation and flood control. And the pricing of power at its fair market value would lift the burden of Federal power developments from the shoulders of the general taxpayers and place it on the power users where it belongs.

The provision that power from government dams be allocated in proportion to the number of rural, residential and retail commercial customers would help to eliminate this particular discrimination now existing against one class of

citizens in favor of another, and would reduce political pressure to sell the power below its real cost.

How would the American public feel if Federal-Aid public roads, built by money from all the citizens, were open to use only by certain preferred citizens, and their use denied to the majority of the citizens, whose taxes contributed to their construction? They would overwhelmingly resent, as un-American, such a law! Yet, this indefensible provision of law now applies in great part to the sale of power from Federal power projects built by taxes taken from all the citizens!

(6) The Federal Power Act should be amended to eliminate all duplicate regulation by the Federal government.

The full responsiblity for electric utility regulation should be left with the states and the Federal government should withdraw from this field. The overlapping jurisdiction is costly, onerous and confusing. A significant characteristic of electric utility companies is that they are essentially local businesses with limited service areas. Regulation on the state and local levels has proven responsive to local needs and the result has been the rendering of a high quality of service priced notoriously low compared with all other costs of goods and services.

This is a positive program of simple truths and of justice to all. It cannot be honestly challenged.

It is inherent in the relationship between the Federal government and the states that when a Federal agency is charged with the regulation of even a minor matter of Federal concern, it will progressively increase the extent and character of its control and domination. In place of local regulation responsive to the local public, remote bureaucratic administration, not similarly responsive, is substituted. Local initiative is hobbled and frustrated and the principle of a Federal government with limited powers is more and more ignored.

If the principle of eliminating all duplicate regulation by the Federal government is fully accepted, then Federal licenses for hydroelectric projects can be limited solely to provisions for the protection of commercial navigation and interstate flood control and irrigation functions — and provisions for reasonable compensation for the use of Federal lands. The definition of navigable streams could be sharply narrowed to those that carry, or may carry, substantial commercial navigation in fact. Provisions could be made for the sale to regulated electric utilities, regulated by the states in which they operate, of those parts of certain Federal lands used or needed for hydroelectric developments which at the same time are not necessary to the use and purposes of the remaining parts of these Federal lands; or provisions made for trading such parts of the Federal lands for other lands which would be suitable to the use of the Federal government.

In like manner, the Federal Power Act should be amended to define more sharply those interstate transactions of power that are significant and in fact beyond the control of a state, or of a compact between or among states, so as to minimize overlapping controls and preclude the progressive assumption of jurisdiction by the Federal agencies.

Free Enterprise at Stake

I have enumerated to you several important corrections in existing Federal statutes seriously needed to make possible to the American people over the years ahead the best and most economical electric service that the progress of science and engineering will afford. If their choice is for free enterprise it must be made early and adhered to consistently and vigorously. Passive support and temporizing, will not suffice in a struggle in which the forces are real and powerful, if the fruits of economic freedom are to be enjoyed in the long future as they have been in the long past. If national socialism is prefererd by people they can be as passive as they wish. It will come without a struggle just like weeds will take over the garden of a passive gardener. They can be assured that national socialism has another advantage. Through force and coercion its victories tend strongly to become permanent.

Changes in Federal laws to clear the statute books of discriminatory provisions against free enterprise can be effective only if the changes have widespread and expressed public approval, and such support for corrective legislation will arise only when the big majority of the people fully understand that they have the stake in ridding our Federal laws of this threat to their well-being; that they are not being asked to pull someone else's chestnuts out of the fire—the chestnuts are their own; that there are politically powerful and well-organized vested interests in tax exemptions, privileges, and in other preferences and subsidies now afforded many governmental proprietary businesses; that selfishly these interests will exert strong efforts to retain their privileges and advantages. Most of them are looking at the immediate, not the long range, interests of their country, but some of them have long range ideologies and their purposes, as they have proclaimed, are fixed on national socialism.

Under free enterprise no one is compelled to work for someone else. The system requires men to be self-reliant, responsible, resourceful, and cooperative, but the rewards are very great. History has proven beyond doubt that free enterprise brings greater material goods and physical comforts than any state controlled economy has ever produced or could ever produce. Even during our greatest depression, intensified and prolonged as it was by government intervention, Americans did not know the poverty which is perpetually the lot of those who live under statism.

The consequences of taking the wrong course are long enduring and more grievous than we as a people have had the courage to face or the experience to be able to fully appreciate. For many years we have enjoyed the consequences of our long tradition of individual initiative in a free market protected from fraud and coercion by a limited, constitutional government. These consequences cannot long continue to flow from an increasingly hampered and hindered economy; their source must be restored, and soon.

Every man, woman, and child who cherishes liberty has a job to do in the restoration of free enterprise. Our duties and responsibilities vary in scope and character according to our opportunities and abilities. In the sector of your duties as managers, operating heads, engineers, and workers in supplying a vital service to our nation, there can be little complaint about your performance.

You supplied the enormous demands of the nation for power during World War II. You have made the astonishing record since that war of increasing in nine years your generating capacity by 87%; and to raise and spend, for the most modern and efficient equipment for supplying electric service, $17.5 billion. This has been done with such technical, commercial and managerial skill that during a period when taxes, labor and fuel costs have more than doubled, you are able to sell power to the householder at a lower price today than you were able to sell it to him before the outbreak of World War II—a marvellous contribution in the struggle to preserve free enterprise.

For the future you are determined to continue to use your talents and your best efforts to give to your customers the benefits of all the improvements that science and engineering will have to offer, as rapidly as this becomes possible. At the same time you, with many others, are helping as good citizens in working for the growth, the development and well-being of the areas you serve.

While these labors and achievements are valuable contributions to economic freedom in the United States, you owe a further responsibility of keeping your customers, your employees, and your business associates informed concerning the condition of your business and of the economic health of your nation. More and yet more needs to be done to alert the American people to the struggle going on within our nation, as well as throughout the world, between collectivism and freedom; and of their stake in the struggle.

We in the electric industry are uncommonly aware of the shadow of Socialism. Ours was one of the first sectors of business attacked by the socializers. We are now in the earlier stages of government ownership. If it is not halted and turned back, it is the youngest member of our population who will suffer the full force of the loss of the free enterprise system. It is they who will know the austere stage. They are the ones with the biggest stake in the preservation of the American form of government and in the continued reality of the American way of life. They and their children, and their children's children are the ones for whom we in the electric industry hold a special responsibility in our deeds and our words to uphold the free enterprise system, that the heritage of freedom we received from our forebears shall also be theirs to enjoy and cherish. In this struggle we have the strength that comes through knowing that we labor not only for our own selfish good, but for the greatest good of the people of this land. It is a great privilege and a great incentive to victory to be so engaged.

Metropolitan Edison 3⅛% Bonds Offered

Halsey, Stuart & Co. Inc. yesterday (Oct. 6) headed a group offering $15,000,000 Metropolitan Edison Co. first mortgage bonds, 3⅛% series due Oct. 1, 1984, at 101¾% and accrued interest, to yield 3.035%. The group won award of the issue at competitive sale on Oct. 5 on a bid of 101.23%.

Of the total net proceeds from the sale of the bonds, $8,000,000, together with a portion of the company's treasury funds, will be used to redeem a like amount of its outstanding first mortgage bonds, 3⅞% series due 1983 and $3,600,000 will be applied toward the repayment of bank notes, incurred in connection with the construction program. The balance of the net proceeds ($3,400,000) will be applied to the cost of the company's construction program.

Metropolitan Edison Co. is a public utility operating wholly within the state of Pennsylvania. It renders electric service in all or portions of four cities, 90 boroughs, and 154 townships, with a population of about 700,000, located within 13 counties in the eastern and central parts of Pennsylvania. In the year 1953, the average number of electric customers was 223,575. The company also produces and sells steam for heating to approximately 550 customers in portions of the cities of Easton and York.

Bank and Insurance Stocks

By ROBERT CHANT

This Week — Bank Stocks

Operating earnings of the major New York City banks published within the past week were generally favorable and about in line with previous expectations.

There are a number of interesting and significant features about the current level of bank operating earnings as revealed in the recent reports. Comparing the operating results for the quarter ended Sept. 30, 1954 with the corresponding period of 1953, shows that most of the banks had a slight decline in earnings for the three months just ended. In most cases the changes were modest but the trend with one or two exceptions was generally down.

For the nine months, however, comparisons were more favorable and most of the institutions showed a gain in earnings as compared with 1953. This would seem to indicate a less satisfactory operating period in recent months as compared with a year ago. Interest rates have been easier and loans have failed to respond to seasonal influences, so that the earnings for the most recent period have not been as good as a year ago.

All of the New York banks do not report operating results on a quarterly basis. Others have not as yet made their figures available for the period. Below we show the per share operating earnings for nine of the major New York City banks for the last quarter and for the nine months of the current year as compared with the corresponding periods of 1953.

	Operating Earnings Per Share			
	Quarter Ended Sept. 30		Nine Months to Sept. 30	
	1954	1953	1954	1953
Bank of New York	$7.59	$7.91	$23.34	$22.41
Bankers Trust	1.09	1.12	3.30	2.91
Chase National	0.98	1.06	2.75	2.79
Chemical Bank	0.96	1.11	2.95	3.06
Irving Trust	0.45	0.45	1.30	1.26
Manufacturers Trust	1.44	1.43	4.28	4.27
National City	1.06	1.05	3.27	3.09
New York Trust	2.38	2.40	6.84	6.76
Public National	0.98	1.00	2.69	2.71

For those banks that have not or do not report operating earnings, the indicated results make an even better showing. In other words the total profit of the banks as against just the operating earnings, are considerably higher than last year.

The primary reason for this is that a year ago the bond market was down, encouraging banks to establish security losses for tax purposes. Among the larger banks these losses ran into the millions of dollars. Over the past year the bond market has risen very substantially, and instead of losses, the banks are now in a position to take profits.

For example, National City in the first nine months of 1954 reported profits on sales of securities equal to $7,845,561 as against a nominal loss of $36,694 a year ago. On a per share basis the profit in 1954 was equal to $1.05, which if added to the operating earnings of the period would indicate a very sizable gain over last year.

Similarly, Chase National had security profits of $3,088,000 in the nine months to Sept. 30, 1954 as against a loss of $1,266,000 in 1953. This was equal to a profit of 42 cents a share and a loss of 17 cents, respectively. If these profits are added to the operating earnings, results amount to $3.17 in 1954 and $2.62 in 1953, a somewhat better showing than when operating results are considered alone.

Other banks have done the same thing so that the total profits for the quarter and for the nine months are likely to make favorable comparison, although operating earnings are tending to level off and in some instances decline.

Over the balance of the year, we would look for some seasonal improvement in operating conditions. Business loans should reflect a normal increase in trade and marketing. At the same time the interest rate structure, although lower than a year ago, compares favorably with earlier periods. Deposits are being well maintained and earning assets are actually higher aided by the lower reserve requirements now in force.

Thus, for the year as a whole, operating earnings should be close to the level of 1953 with total profits benefiting substantially from security transactions.

Joins Hazel Zimmerman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Mrs. Mari S. Leib has joined the staff of Hazel Zimmerman, 632 South Westmoreland Avenue.

Schwabacher Adds

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — Richard C. Thorne has been added to the staff of Schwabacher & Co., 930 State Street.

Continued from first page

As We See It

tively recent origin and for many of them the government itself is responsible in very large degree. Several influences, such as the advance of technology requiring large expenditures for equipment to attain maximum efficiency, have made large inroads into the type of economy to which the world was accustomed two or three generations ago.

Labor Monopoly

These forces have, however, been reinforced and unduly strengthened by formal governmental policies at several points. Politicians have never found monopoly a bad thing when it appeared in the form of labor organizations. In point of fact they have again and again and again found ways and means not only of defending this type of monopoly but of promoting it. In its practical working out, this fact is not only a mere contradiction or inconsistency in the programs of government, but a driving factor tending to stimulate mergers. And it has not only given rise to the urge to larger units in order to be able the more effectively to deal with monopolistic labor; it has stimulated and made possible labor union tactics which drive business to huge investment in what is known as labor saving devices.

The term "labor saving machinery" must, moreover, be given a very broad connotation. Wage earners with full support of their unions today demand an almost infinite variety of tools, instruments and gadgets to lighten their work. Thus the term labor saving may be and is really employed in two senses. As most frequently employed it means simply a means of producing a good or goods with less outlay for labor; in the other it means a convenience for the man who is performing the labor. But in whatever sense the word may be used, the acquirement and use of all this additional equipment entails the expenditure of vast sums of money and necessitates a large volume of output if any reasonable profit is to reward the venture.

Again modern theory and practice of taxation renders the growth of really strong young enterprises to compete with existing giants exceedingly difficult if not virtually impossible. Let us not forget how the giants of today got their start. Almost without exception they began as small enterprises conceived and managed by some genius with very limited capital, and grew by a combination of exceedingly able management and the plowing back of virtually all profits for many years. Today, whether the enterprise is incorporated or not very large proportions of all earnings must be paid in taxes. One can scarcely imagine how a Henry Ford could today duplicate the feats which gave rise to the Ford Motor Company. Much the same is to be said of Messrs. Carnegie, Morgan and Rockefeller.

Taxing Competition Away

The burdens laid upon large and profitable enterprises and individuals by modern income taxation is often the subject of discussion; not nearly so frequently, we suspect, is it realized that the really killing burden, the load which has by far the most repressive effect upon business; is that which is thus laid upon the man who is trying to get rich—that is, upon the small business which is trying to give the giants effective competition. The politicians never tire of doing or pretending to do this and that for "small business." One would suppose that if they really believed small business to be as vital as they profess to believe those steps in general policy necessary for its health and growth would be taken without delay. Instead, a few futile measures come along and a negative sort of action in the form of attacks on bigness get the headlines.

Both the whole program of security regulation and tax policy—to say nothing of monetary policy—lay a heavy hand upon efforts of smaller businesses to obtain capital from the securities markets and thus grow big and strong enough to furnish real competition with the existing giants. Those enterprises well enough established and well enough known to sell obligations either privately or through the open markets are able to obtain funds at very low cost. Smaller or newer companies find it exceedingly difficult and costly to go to the market for needed funds, while individuals can scarcely afford to venture their own funds freely since if their projects are profitable they must pay a very large part of their profits to government, and if a loss results only a small part of it is recoverable via the tax route. Even capital gains are heavily taxed in comparison with the situation as it existed when the industrial giants of today were growing up.

When the powers that be lay their plans for preventing this or that merger of existing companies, let them remember some of these facts, and also that the nation gains nothing when they force some enterprise out of business which is unable to compete alone in the situation now existing. If oligopoly is to be curtailed a more constructive approach is imperative.

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How Government Can Help Business to Help Itself

should pass under two or more sets of independent eyes. A Scotsman, too stingy to consult a doctor, always relied on a doctor's medicine book. The coroner's verdict was that "He died of a misprint."

Panels of experts from industry should be helpful in detecting shortcomings and improving the several series.

Rules of the Game

In determining the rules of the game and serving as umpire, the government may set the stage for expanding enterprise, or it may thwart it and slow it down.

In the vast field of antitrust and fair trade, the rules should be clear, stable and administered with even-handed justice. Tax burdens should not favor any particular form of business organization.

In drafting legislation and in administrating laws, business advisory panels—carefully selected—could be used more effectively to prevent the passage of unworkable laws and the issuances of burdensome, ambiguous and needlessly complex rulings and regulations. This admonition may be less needed in those bureaus which deal directly and primarily with business, than in these cases where the bureau appears to have a nonbusiness function and yet issues rules and regulations which may have a powerful deterrent to business.

Implications of Size of Government

Because of its sheer size the policy and actions of government have an enormous impact on our economy and business. Government absorbs over 30% of our total income.

Today government is our biggest employer, biggest truck operator, biggest warehouseman, biggest electric power combine, biggest owner of grain, biggest land owner, biggest landlord, biggest tenant, biggest borrower, biggest creditor, biggest insurance writer, biggest buyer of typewriters, biggest memo writer, biggest publisher, biggest edict issuer, biggest tax collector, and biggest spender—biggest, biggest biggest.

Obviously, government has an enormuos impact on all business. It calls the tune and sets the pace in many ways.

Sometimes it is said that government ought to be "a model employer." We can agree; unless this means that government employees should get more money for doing less, when we might have some reservation.

All of this activity has to get financed. This means that not only are taxes important, but the tax structure ought to be such that it minimizes disincentives.

Because of its sheer size government action can have a powerful impact on economic stability and instability. If its policies shift abruptly, if it abruptly steps up or cuts down procurement or personnel, this can have unstabilizing effects.

Economic Growth and Stability

There is also a growing school of thought that partly because of its sheer size, but even more potently because of its impact on monetary and credit policy, government can do much to mitigate business instability and pave the path for economic growth. We noted at the beginning that the maintenance of prosperity is our one single most important domestic problem. If we solve this one all other problems will become manageable.

If government has this power it means that it ought to have the most able policy makers. One of the prices we pay for democracy is the turnover in government philosophy and personnel. This is likely to mean instability in government policies.

For nearly two decades we tried to live with an "easy money" policy. This meant, or paved the way for, continued and sustained inflation, with a serious deterioration in the buying power of the dollar. Inflation almost became a way of life.

Beginning with "the accord" between the U. S. Treasury and the Federal Reserve System of March, 1951, the backbone of the inflationary spiral was broken.

Inflation can become a habit. While it has an adverse effect on many people it also may have a stimulative effect on jobs, markets and profits — so long as it lasts. Since March, 1951, we have been moving toward a policy of "sound money." This means that when markets soften and unemployment threatens, credit policies should be eased. But if, in such a situation, credit is to be eased, there must have been a prior tightening of credit—to give elbow room. Thus a sound money policy means a flexible policy. This limits commercial bank reserves when wages threaten to rise more than productivity or when general prices rise. Then there is a reversal when markets soften and unemployment threatens.

Unfortunately, when once the people become habituated to easy money and its artificially stimulated overemployment, it is not easy in a democracy to move toward sound money. With a major election every two years politicians are in desperate need of appropriate planks. And in the next weeks we will hear much on this issue. We will hear continuous promises of a return to easy money. This in the end may lead to investment and price control by direct means.

The operation of a sound nondeflationary and noninflationary credit policy requires close study of the economic indices, plus political and economic courage. This involves action, and equally important, well-timed action. The more sensitive barometers need steady sharpening and improving: construction, length of work week, inventories by types, new orders, unfilled orders, shipments, etc. If wise action is to be taken both by business and government we need better data and better insights. Action can be too little and too late. But it also can be too much and too soon.

There is a growing school of thought which takes the view that a moderate growth in our money supply based on the growth in the labor force, the rise of productivity and the secular decline in the velocity of the money turnover, is needed to assure prosperity. If this growth is assured depression is avoided. If the growth exceeds the requirements of prosperity, inflation may follow. Obviously, implementing this policy requires a high order of analysis and a high order of courage.[2]

Those most strongly committed to this view take the position that there has never been a major business depression without a prior shrinkage in the money supply. This means that through public debt management policy, through open market operations, through rediscount rate adjustments and through the change in commercial bank reserve requirements, government can go a long way toward maintaining stable growth and economic prosperity. It is in this way that government can make its most outstanding contribution to enable business to help itself.

Needless to say the businessman has an important role to play. His primary task in both his self-interest and the interest of the economy as a whole, is to keep on producing and distributing products and providing services which meet a genuine human need, studying his product-mix, producing a steady flow of new and better products. Similarly he needs to watch his price policies. Ceaseless change should be the order of the day—with constant adaptation.

But no product or service, however good, sells itself. Vigorous promotion and distribution efforts can go a long way toward complementing sound government policy.

According to the forecasting experts we should now be in a serious depression. Instead we have passed through a mild post-Korean and post-defense build-up readjustment. Our relatively happy state of affairs can be credited to the enterprise of American business and particularly to the rather well-timed shift in fiscal and credit policy of the last year and a half or two years. We have had the largest tax cut this year in our history. This was about as well timed in terms of the tapering in government spending and the business situation as we could expect in a democracy.

In early 1953 we were in grave danger of building a boom on top of a boom and therefore paving the way for a deep castrophe. The Administration had the courage in spite of the "soft money" exponents, to tighten credit. It had the good fortune or good sense to ease credit again beginning in the Spring of 1953.

In fact economists may say in the future that the recent monetary and fiscal policies have been about as good as could ever be expected.

To repeat: Prosperity is our most important domestic target. If we can maintain it the problems of marketing and distribution will be manageable. Sound fiscal and monetary policies are the most indispensable contributions to business which the government can make.

2 For a disturbing exposure of the campaign against sound money policy see: "The Crusade Against Sound Money," by Herbert M. Bratter, "Commercial and Financial Chronicle," Aug. 19, 1954.

Joins White, Weld

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Oct. 10	§70.4	*70.4	63.0	95.2
Equivalent to—					
Steel ingots and castings (net tons)	Oct. 10	§1,678,000	*1,678,000	1,502,000	2,146,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Sept. 24	6,183,650	6,196,400	6,141,350	6,486,450
Crude runs to stills—daily average (bbls.)	Sept. 24	¶6,999,000	6,969,000	6,955,000	6,880,000
Gasoline output (bbls.)	Sept. 24	23,975,000	23,852,000	23,667,000	23,286,000
Kerosene output (bbls.)	Sept. 24	2,280,000	2,313,000	2,101,000	2,216,000
Distillate fuel oil output (bbls.)	Sept. 24	10,461,000	10,045,000	10,107,000	9,676,000
Residual fuel oil output (bbls.)	Sept. 24	7,469,000	7,707,000	7,595,000	8,062,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 24	151,145,000	151,787,000	153,757,000	140,298,000
Kerosene (bbls.) at	Sept. 24	38,212,000	37,644,000	34,260,000	36,405,000
Distillate fuel oil (bbls.) at	Sept. 24	125,571,000	124,021,000	114,984,000	125,872,000
Residual fuel oil (bbls.) at	Sept. 24	57,235,000	57,268,000	55,903,000	51,936,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 25	710,215	711,228	676,616	819,709
Revenue freight received from connections (no. of cars)	Sept. 25	602,418	583,345	576,786	668,311
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 30	$233,851,000	$340,883,000	$376,682,000	$382,583,000
Private construction	Sept. 30	110,581,000	188,154,000	219,317,000	258,724,000
Public construction	Sept. 30	123,270,000	152,729,000	157,365,000	123,859,000
State and municipal	Sept. 30	103,199,000	135,621,000	131,134,000	98,659,000
Federal	Sept. 30	20,071,000	17,108,000	26,231,000	25,200,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 25	8,070,000	7,930,000	7,410,000	9,632,000
Pennsylvania anthracite (tons)	Sept. 25	623,000	532,000	485,000	703,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Sept. 25	117	120	102	114
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Oct. 2	9,158,000	9,072,000	9,087,000	8,414,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 30	192	212	168	189
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 28	4.801c	4.801c	4.801c	4.634c
Pig iron (per gross ton)	Sept. 28	$56.59	$56.59	$56.59	$56.59
Scrap steel (per gross ton)	Sept. 28	$30.17	$30.17	$28.67	$31.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 29	29.700c	29.700c	29.700c	29.500c
Export refinery at	Sept. 29	32.000c	30.425c	29.575c	28.225c
Straits tin (New York) at	Sept. 29	93.625c	93.750c	93.125c	83.500c
Lead (New York) at	Sept. 29	14.750c	14.750c	14.250c	13.500c
Lead (St. Louis) at	Sept. 29	14.550c	14.550c	14.050c	13.300c
Zinc (East St. Louis) at	Sept. 29	11.500c	11.500c	11.000c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Oct. 5	99.95	99.91	100.06	95.29
Average corporate	Oct. 5	110.52	110.52	110.70	104.14
Aaa	Oct. 5	115.43	115.24	115.24	109.24
Aa	Oct. 5	112.37	112.19	112.50	106.04
A	Oct. 5	110.52	110.52	110.70	103.80
Baa	Oct. 5	104.48	104.48	104.66	98.25
Railroad Group	Oct. 5	108.88	108.88	109.24	102.46
Public Utilities Group	Oct. 5	110.88	110.88	110.88	103.97
Industrials Group	Oct. 5	112.00	111.81	112.00	106.39
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Oct. 5	2.50	2.51	2.49	2.83
Average corporate	Oct. 5	3.14	3.14	3.13	3.50
Aaa	Oct. 5	2.88	2.89	2.89	3.21
Aa	Oct. 5	3.04	3.05	3.03	3.39
A	Oct. 5	3.14	3.14	3.13	3.52
Baa	Oct. 5	3.48	3.48	3.47	3.86
Railroad Group	Oct. 5	3.23	3.23	3.21	3.60
Public Utilities Group	Oct. 5	3.12	3.12	3.12	3.51
Industrials Group	Oct. 5	3.06	3.07	3.06	3.37
MOODY'S COMMODITY INDEX	Oct. 5	407.0	406.2	412.6	395.4
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 25	211,305	235,147	210,528	226,801
Production (tons)	Sept. 25	246,383	244,607	241,922	257,907
Percentage of activity	Sept. 25	92	93	92	98
Unfilled orders (tons) at end of period	Sept. 25	369,305	408,830	330,720	481,985
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Oct. 1	105.70	105.64	106.61	105.58
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)†—					
Number of shares	Sept. 18	900,018	706,904	1,049,762	976,867
Dollar value	Sept. 18	$44,330,803	$33,251,350	$47,922,721	$37,936,203
Odd-lot purchases by dealers (customers' sales)—					
Number of shares—Total sales	Sept. 18	969,947	691,548	1,144,156	847,733
Customers' short sales	Sept. 18	11,580	12,092	14,674	16,293
Customers' other sales	Sept. 18	958,367	679,456	1,129,482	831,440
Dollar value	Sept. 18	$43,710,337	$30,060,985	$51,009,687	$31,222,876
Round-lot sales by dealers—					
Number of shares—Total sales	Sept. 18	313,590	192,840	383,870	241,900
Short sales	Sept. 18	------	------	------	------
Other sales	Sept. 18	313,590	192,840	383,870	241,900
Round-lot purchases by dealers—					
Number of shares	Sept. 18	278,380	244,450	286,162	363,740
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	Sept. 11	314,040	378,200	585,850	221,030
Other sales	Sept. 11	7,410,270	9,552,430	13,727,520	4,503,390
Total sales	Sept. 11	7,724,310	9,930,630	14,313,370	4,724,420
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Sept. 11	861,570	1,182,360	1,627,620	411,160
Short sales	Sept. 11	160,590	171,850	324,110	80,560
Other sales	Sept. 11	739,380	1,038,230	1,344,670	377,710
Total sales	Sept. 11	899,970	1,210,080	1,668,780	458,270
Other transactions initiated on the floor—					
Total purchases	Sept. 11	264,560	321,290	542,190	74,100
Short sales	Sept. 11	21,050	18,700	34,400	9,900
Other sales	Sept. 11	236,300	293,620	463,270	87,930
Total sales	Sept. 11	257,350	312,320	497,670	97,830
Other transactions initiated off the floor—					
Total purchases	Sept. 11	257,015	385,630	501,808	189,375
Short sales	Sept. 11	31,070	50,950	96,660	36,430
Other sales	Sept. 11	303,167	404,088	571,375	165,350
Total sales	Sept. 11	334,237	455,038	668,035	201,780
Total round-lot transactions for account of members—					
Total purchases	Sept. 11	1,383,145	1,889,280	2,671,618	674,635
Short sales	Sept. 11	212,710	241,500	455,170	126,890
Other sales	Sept. 11	1,278,847	1,735,938	2,379,315	630,990
Total sales	Sept. 11	1,491,557	1,977,438	2,834,485	757,880
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Sept. 28	109.7	109.9	109.5	110.7
Farm products	Sept. 28	92.7	92.8	91.6	98.1
Processed foods	Sept. 28	104.5	105.8	104.7	104.8
Meats	Sept. 28	86.5	90.3	85.8	92.6
All commodities other than farm and foods	Sept. 28	114.5	114.4	114.4	114.6

*Revised figure. ¶Includes 665,000 barrels of foreign crude runs. §Based on new annual capacity of 124,330,410 tons as of Jan. 1, 1954, as against the Jan. 1, 1953 basis of 117,547,470 tons.
†Number of orders not reported since introduction of Monthly Investment Plan.

	Latest Month	Previous Month	Year Ago
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of July (in thousands)	$154,859,000	$163,407,000	$147,957,000
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of July (millions of dollars):			
Manufacturing	$44,208	*$44,526	$46,485
Wholesale	11,746	*11,805	11,888
Retail	22,408	22,600	22,743
Total	$78,362	*$78,991	$81,116
COTTON GINNING (DEPT. OF COMMERCE)—			
To Sept. 16 (running bales)	3,375,866	------	3,405,754
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of July:			
Cotton Seed—			
Received at mills (tons)	443,340	*128,280	276,415
Crushed (tons)	249,700	207,127	181,688
Stocks (tons) August 31	428,283	228,643	250,099
Crude Oil—			
Stocks (pounds) August 31	35,881,000	42,249,000	37,830,000
Produced (pounds)	82,890,000	77,097,000	57,397,000
Shipped (pounds)	87,734,000	83,911,000	64,594,000
Refined Oil—			
Stocks (pounds) August 31	887,813,000	*953,654,000	918,585,000
Produced (pounds)	82,186,000	78,738,000	59,998,000
Consumption (pounds)	147,206,000	108,802,000	83,622,000
Cake and Meal—			
Stocks (tons) August 31	188,910	203,321	69,948
Produced (tons)	121,257	103,175	86,379
Shipped (tons)	135,668	97,916	107,980
Hulls—			
Stocks (tons) August 31	78,861	98,174	42,162
Produced (tons)	54,155	49,005	38,534
Shipped (tons)	73,468	74,715	44,696
Linters (running bales)—			
Stocks August 31	131,082	151,001	58,966
Produced	81,534	64,186	60,177
Shipped	101,453	89,464	64,312
Hull Fiber (1,000 lb. bales)—			
Stocks August 31	671	590	263
Produced	627	229	564
Shipped	546	496	466
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks August 31	2,979	4,170	4,222
Produced	1,149	967	835
Shipped	2,340	2,204	2,681
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of July:			
All manufacturing (production workers)	12,233,000	12,484,000	13,875,000
Durable goods	6,933,000	7,180,000	8,194,000
Non-durable goods	5,300,000	5,304,000	5,681,000
Employment Indexes (1947-49 Avge.=100)—			
All manufacturing	98.9	100.9	112.2
Payroll Indexes (1947-49 Average=100)—			
All manufacturing	132.5	136.7	151.1
Estimated number of employees in manufacturing industries—			
All manufacturing	15,638,000	15,888,000	17,336,000
Durable goods	8,873,000	9,121,000	10,190,000
Non-durable goods	6,765,000	6,767,000	7,146,000
MANUFACTURERS' INVENTORIES & SALES (DEPT. OF COMMERCE) NEW SERIES—Month of July (millions of dollars):			
Inventories—			
Durables	$24,366	*$24,689	$26,392
Non-durables	19,842	*19,837	20,093
Total	$44,208	*$44,526	$46,485
Sales	24,213	*24,250	26,366
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Sept.:			
Industrials (125)	4.31	4.66	5.76
Railroads (25)	6.12	6.30	7.13
Utilities (not incl. Amer. Tel. & Tel.) (24)	4.64	4.69	5.56
Banks (15)	4.39	4.32	4.53
Insurance (10)	2.77	2.79	3.40
Average (200)	4.46	4.75	5.73
NEW YORK STOCK EXCHANGE—As of Aug. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$1,997,862	$1,925,512	$1,682,105
Credit extended to customers	30,874	32,596	27,022
Cash on hand and in banks in U. S.	332,818	*325,022	285,220
Total of customers' free credit balances	909,904	*877,044	640,535
Market value of listed shares	142,284,335	145,843,061	110,750,141
Market value of listed bonds	109,495,032	105,726,616	100,009,822
Member borrowers on U. S. Govt. issues	211,025	152,775	129,436
Member borrowings on other collateral	1,292,312	1,246,355	1,203,892
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of July (in billions):			
Total personal income	$286.5	*$286.5	$288.2
Wage and salary, receipts, total	195.7	*195.5	201.4
Commodity producing industries	83.8	*84.0	89.8
Distributing industries	52.8	*52.5	52.7
Service industries	25.5	*25.5	25.3
Government	33.6	*33.5	33.6
Less employee contributions for social insurance	4.5	4.7	4.1
Other labor income	6.6	6.6	6.4
Proprietors and rental income	48.8	*49.2	47.9
Personal interest income and dividends	24.1	24.1	23.0
Total transfer payments	15.8	15.8	13.6
Total non-agricultural income	270.5	*270.3	273.0
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-14=100—As of July 15:			
Unadjusted—			
All farm products	247	248	260
Crops	248	244	237
Food grain	225	216	218
Feed grain and hay	202	205	204
Tobacco	446	445	426
Cotton	272	274	270
Fruit	228	240	193
Truck crops	243	200	252
Oil-bearing crops	286	283	268
Livestock and products	247	251	280
Meat animals	286	299	319
Dairy products	237	229	261
Poultry eggs	171	108	223
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of August:			
Net sales	$17,154,500	$21,666,300	------
Net purchases	------	------	$377,400

Continued from page 14

Lawlessness in High Places

lated to vote against the common interests of all the people.

The remaining minorities, who are not favored by government, are not only made politically impotent, but they are also cajoled and confused by constant political declamations and gestures of friendly interest. In this way you may have observed that school teachers, small business men, independent workers and many professionals are frequently assured of political interest in their welfare, although very little is ever done for them except to increase their taxes and cost of living.

Should the Constitution Be Rewritten

This brief review of the rise of a new political order prepares me, and I hope my audience, to consider the question: How could such a drastic change in the purposes and powers of our government have been brought about without a rewriting of the Constitution of the United States? All lawyers know that under the Constitution the national government has only limited powers, carefully defined and limited in the Constitution. There are two fundamental purposes evident in the Constitution. First, to establish a government capable of defending the freedom and independence of the States and their citizens from foreign aggression and from internal dissension; and, second, to limit the powers of this centralized government so that it could not exercise any power to diminish substantially this freedom and independence of the States and their citizens.

Recognizing the likelihood of vigorous dissent, I assert my deep-seated conviction that such a centralized welfare state as our politicians have been creating in the last 20 years could not be lawfully established under the Constitution as written in 1787, and has not been authorized by any lawful amendment or construction of the Constitution. Since it will be inevitably argued that the Supreme Court has sustained the constitutionality of every law now being enforced, I seem forced to support my opinion by the further assertion that it is only by a lawless disregard of the Supreme Law written in the Constitution that our present national government of a semi-welfare state has been created and maintained.[1]

But before I am placed in the unhappy position of severely criticizing the Supreme Court, let me again lay the heaviest responsibility for Lawlessness in High Places, first upon the people themselves who have backslid from the political and religious faith of their fathers. Then let me lay a further responsibility upon the politicians big and little who have sought public offices on resounding pledges of public service and executed their offices primarily as the servants of politically powerful special interests.

Finally, let me call attention to the fact that the Supreme Court was made over by a dominant political party for the very purpose of freeing legislatures—and particularly the Congress—from the restraints of judicial enforcement of the Constitution as it was written. We lawyers can hardly forget that the court-packing plan of 1937 was not defeated by public opposition to the purpose of the plan. It was actually defeated by a shift of majority opinion in the Court itself, which made a violent change of membership unnecessary.

Federal controls of agriculture and industry and labor had been nullified by the so-called "old Supreme Court" in cases like U. S. v. Butler, 297 U. S. 1 (1936) and Schechter Corp. v. U. S., 295 U. S. 495 (1935). Thereafter such Federal power was sanctified in two opinions written significantly by the same Justices who had previously expressed a majority view denying the existence of any such Federal power. In 1937, before there was a single change in membership of the Court, the limits of Federal power over industry, sternly enforced in the Schechter case, were brushed aside in NLRB v. Jones and Laughlin Steel Corp., 301 U. S. 1, in an opinion by the same Chief Justice Hughes who wrote the Schechter opinion. In 1939 Justice Roberts, who wrote the opinion in U. S. v. Butler nullifying Federal agricultural regulation, wrote the opinion in Mulford v. Smith sustaining such Federal regulation.

The Liberal Interpretation of the Constitution

Here we have a demonstration that two of the ablest, most high-minded Justices became convinced that the preservation of American institutions depended on adopting what is called a liberal interpretation of the Constitution. This means in reality the amendment of the Constitution by what is essentially a lawless process of unwarranted construction. This process begins with lawless acts of legislatures (stimulated by vote gathering executives) which are finally ratified by the Supreme Court. One specific example will suffice.

Nothing is more clearly limited by the exact language of the Constitution than the power of Congress over commerce which is expressly confined to the regulation of "commerce among the several States." But, after years of rigid enforcement of this limitation, which excluded the Federal government from regulating commerce wholly within one State, there was developed a modifying doctrine based on the concept that there was a current or flow of commerce. A business enterprise might begin and practically end in one State, but, if it could be regarded somehow as flowing in an interstate current then the Federal government could regulate it as a part of interstate commerce.

But even this extension of Federal power was not sufficient to satisfy rising demands for unified national action to meet needs and problems which concerned more than one State. So the pernicious doctrine arose that whatever "affects" interstate commerce is subject to Federal regulation. For a time this had to be qualified to maintain even a pretense that the constitutional powers of the States were being preserved from Federal destruction. Indeed, as late as the Schechter Case, a unanimous Court, speaking through Chief Justice Hughes, vehemently asserted that "the distinction between direct and indirect effects of intrastate transactions upon interstate commerce must be recognized as a fundamental one essential to the maintenance of our constitutional system. Otherwise . . . there would be virtually no limit to the Federal power and for all practical purposes we would have a completely centralized government."

Nevertheless, in the subsequent procession of cases with which lawyers are familiar[2] the Court gradually eliminated all legalistic subterfuge and finally announced baldly, as the revised law of the Constitution:

"The power of Congress over interstate commerce is not confined to the regulation of commerce among the states."

In actual effect this line of decisions wrote an amendment into the Constitution. This amendment had been proposed by the Congress in the form of unauthorized statutes, and without being submitted to the people lawfully as an amendment, was lawlessly ratified by the Supreme Court.

This amendment of the interstate commerce clause is only one of many revisions of our Supreme Law by public officials who were never authorized to revise, but, on the contrary, were sworn to support and to defend the Constitution. Conspicuous among these amendments is an enormous extension of Federal taxing power, entirely outside of the extension of an unlimited taxing power over incomes which the people themselves unwisely granted in the Sixteenth Amendment.

Emasculation of the Tenth Amendment

In a long line of opinions the Supreme Court has so emasculated the Tenth Amendent that this once powerful limitation on Federal power has been practically erased from the Constitution. Even more dangerous, in fact threatening the entire life of our government, is the recent sweeping extension of a constitutionally limited treaty power.

Here the Supreme Court has achieved the acme of disrespect for the Constitution, in actually holding that the treaty power does not rise from a grant of power in the Constiution, but exists independent of the Constitution. I shall not bore you on this occasion with any further argument on the need for a formal and lawful Amendment to the Constitution in order to nullify this casual and lawless Amendment promulgated by the Supreme Court. I merely desire in passing to express again my amazement that nine Justices of the Supreme Court could be found to agree upon an opinion involving such a distortion of history and such a destruction of the safeguards of constitutional government, as the opinion of Justice Sutherland in U. S. v. Curtiss-Wright Export Corporation, 299 U. S. 304.[3]

There is only one explanation which I would offer for an obvious and tragic decline of faith in the Constitution of the United States, among not only voters and politicians but also among public officials of great responsibility, and even among legal educators. That is the one which I suggested earlier: The people of the United States have been rapidly losing their religious faith in the divinity of man and hence losing their political faith in that individualism to which our government was dedicated in order to sustain our religious faith.

There was nothing irreligious, nothing atheistic nor agnostic, in the demand of the founding fathers for religious freedom, nor in the doctrine of the separation of church and state. On the contrary, there is ample evidence that the great mass of the American colonists were a religious, God-fearing people. They took their religion so seriously that minor differences in faith or creed might easily divide them. In their love of liberty, in their sense of individual responsibility for individual welfare, they were convinced that all men should be left free to worship their Creator and to follow such divine laws as they were individually inspired to follow. Their government, established to insure the blessings of liberty, should not deny to them that most precious liberty, known as liberty of conscience.

Has the Supreme Court Exceeded Its Powers?

It seems to me that unless we regard the Constitution as the embodiment of a political faith, founded on a religious faith, we destroy it as capable of being the Supreme Law of the Land as it is proclaimed to be. If, on the one hand, we do intend to preserve it as the Supreme Law, we must read it is it was written, when it was written, and when any part of it becomes out-dated we must address ourselves to the difficult but necessary task of rewriting it as a people. We should not trust this rewriting to the questionable wisdom of legislators seeking the easiest, most popular solution of transient problems. Nor should such lawless legislation be judicially approved as being within the bounds of legislative discretion.

Even such a distinguished apologist for the Supreme Court as former Justice Roberts concludes his recent book, "The Court and the Constitution," with this tragic admission:

"In summary, I think it fair to say that progressively, the Supreme Court has limited and surrendered the role the Constitution was intended to confer on it."

Probably only a few lawyers and not many others read the brief of the Solicitor General in the Steel Seizure Cases. But one significant passage in that brief appealed to the Supreme Court to avoid what was stated to be "the discredited technique of constitutional interpretation based on 'immutable principles'." Here was baldly stated an assumption that the Court itself had discredited and abandoned the interpretation of the Constitution as to the expression of any "immutable principles." To my mind this appeal to the Court was an insult to its integrity, which was happily shown to be unwarranted by the decision of the Steel Seizure Cases.

Do not think from the vigor of my condemnation of legislative-judicial amendment of the Constitution that I do not appreciate the pressures under which such evasions of the Constitution are undertaken. As I recently confessed in addressing the Bar of South Carolina, I am repentant of adolescent sin as a one time advocate of the practical amendment of the Constitution by legislative-judicial interpretation. However, I would not regard it as an amendment, or even as a questionable construction of the commerce clause, to hold that Federal regulation can be extended to new forms of commerce such as airplanes and radio which were not only unknown but unanticipated in 1787, and to new needs for the exercise of other definitely granted Federal powers.

But I submit that it is one thing to apply a word or a principle written in the Constitution so as to carry out the purpose, the philosophy and the faith of those who wrote the Constitution, and it is an utterly different thing to sanction the doing under the Constitution of precisely what the Constitution forbids—as, for example, the regulation of commerce wholly within a state.

How and When the Constitution Should Be Re-Written

If the people of the United States do not hold today the religious faith and the political faith that is written in the Constitution then we should undertake to rewrite our fundamental law. If we made an effort to do this we should necessarily re-educate ourselves to the values and weaknesses of our form of government. I hope that in the end we might learn how profoundly the maintenance of our constitutional limitations on government have saved us from mis-governments under which a great majority of the world's peoples are suffering today. I hope that we would learn that the extent to which our lives and enterprises have been kept free from government control is largely responsible for the extraordinary material prosperity and spiritual freedom of the American people.

If we failed to learn these things from a nation-wide reexamination of our history we might be induced to follow the lead of other nations that are "progressing" downhill into socialistic tyrannies and decadence. We might then rewrite our Constitution so as to remove its limitations on excessive exercises of political power. But if this is to be our destiny I can only thank Heaven that a man of my age has no expectation of living through such a period of national retrogression and disillusionment

However, even if the effect of rigidly enforcing our Supreme Law should be to hasten a demand for its revision, it would still be better thus to keep faith with ourselves, even if we regard it as unwise to keep faith with our ancestors. It is not only morally degrading to maintain the pretense that we are a law-abiding people of high principle, while we are actually becoming more and more lawless and unprincipled. It is also increasingly dangerous to individual security — to the selfish need of every one of us for constant protection from evil forces that propagate and spread underneath the comforting, peaceful surface of an orderly society.

We hear much about the menace of communist plotting for a revolution of terrorism to open the way to establish a tyranny of slavery to the State, which means slavery to a political ruling class. I am not one who under-estimates that menace. But, what does that menace rest upon? Communist plotting relies wholly upon the ability of revolutionists to take advantage of the lawlessness tolerated by a free people. Labor violence, gang murders, juvenile delinquency, organized crime, mercenary politics—all these are evidences of a toleration of lawlessness that offers to revolutionary plotters a fertile field in which to plan for massive attacks on our form of government. Propaganda discrediting the achievements of a free people and the perpetual need of limiting political power, propaganda destructive of our political and religious faith is a major means of softening and dividing us for eventual conquest.

Against this steadily rising menace—the greatest single threat to individual security and freedom—we urgently need a re-education of all of us in the limitations and restraints of government power that must be maintained if the self-government and self-reliance of a free people are to endure. Socialism will not really destroy all the economics of capitalism. It will simply transfer the control of capital from private competitors to public monopolists. But socialism will destroy individualism; and individualism is a simplified definition of the political and religious faith written into our national Constitution. Our fundamental law should not be blurred and then erased by Lawlessness in High Places.

Individualism — the Ideal

Individualism as an ideal, and the protection of individualism by government and against government, have been scorned and disparaged by intellectuals of the twentieth century. But individualism must be dominant in the faith of any people who believe in individual liberty. Let us make no mistake: We must remain individualists and maintain a government of individualists, by individualists, for individualists, if we are to remain a free people.

1For an illuminating review of cases see Buck, "The Constitution and Socialism," XII Md. L. Rev. 1 (1951).

2Cases such as Jones and Laughlin, 310 U. S. 1; Darby, 310 U. S. 100; Wrightwood Dairy, 315 U. S. 110.

3For further comment see article by D. R. R. in 39 Va. L. Rev. 753.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Alabama Gas Corp., Birmingham, Ala.
Sept. 29 filed 84,119 shares of common stock (par $2) to be offered for subscription by common stockholders at rate of one new share for each 10 shares held (with an oversubscription privilege). Present plans call for mailing warrants during latter part of October and for the warrants to expire about mid-November. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—Allen & Co., New York.

• **Allied Thermal Corp., New Britain, Conn.**
Sept. 23 (letter of notification) 5,333 shares of common stock (par $25) being offered for subscription by stockholders of record Sept. 23 on the basis of one new share for each 15 shares held; rights to expire on Nov. 1. **Price**—$45 per share. **Proceeds**—For working capital, etc. **Office**—Corbin Ave., New Britain, Conn. **Underwriter**—None.

Allen Discount Corp., Boulder, Colo.
Aug. 13 (letter of notification) 900,000 shares of class B non-voting common stock. **Price**—At par (25 cents per share). **Proceeds**—For loans (mainly promissory notes). **Office**—1334 Pearl Street, Boulder, Colo. **Underwriter**—Allen Investment Co., Boulder, Colo.

Amalgamated Uranium Corp., Salt Lake City, Utah
Sept. 1 (letter of notification) 2,500,000 shares of common stock (par three cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Office**—218 Atlas Bldg., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman Co., the same city.

American Buyers Credit Co., Phoenix, Ariz.
Aug. 6 filed 5,000,000 shares of common stock to be issued to policyholders of American Buyers Insurance Co. and American Buyers Casualty Co., and employees. **Price**—To so-called "Expansion Policyholders" (various policyholders of both insurance companies), and employees, at par ($1 per share); and to all other policyholders in the insurance companies, $1.25 per share. **Proceeds**—To expand in the small loan field. **Underwriter**—None.

• **American Buyers Insurance Co., Phoenix, Ariz.**
Aug. 18 (letter of notification) 2,500 shares of common stock, being offered to stockholders of record Aug. 16 on a pro rata basis; rights to expire on Nov. 12. **Price** — At par ($10 per share.) **Proceeds** — To acquire capital required by Arizona law for a stock benefit insurance company. **Office**—2001 East Roosevelt, Phoenix, Ariz. **Underwriter**—None.

★ **American Defense Line, Inc. (N. Y.)**
Sept. 29 (letter of notification) $150,000 of convertible 6% income debentures dated Oct. 1, 1954 and due Sept. 30, 1964 and 150,000 shares of common stock (par 10 cents) to be offered in units of one $100 debenture and 100 shares of stock. **Price**—$200 per unit. **Proceeds**—To purchase an American flag vessel which will be operated as a tramp steamer. **Address**—Harold B. Hill, President, 317 West Englewood Ave., Teaneck, N. J. **Underwriter**—None.

American Independent Reinsurance Co.
Sept. 2 filed 900,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To be invested in securities of other companies and for working capital. **Office**—Orlando, Fla. **Underwriter** — Goodbody & Co., St. Petersburg, Fla.

American Mercury Insurance Co., Washington, D. C. (10/18)
Sept. 27 filed 150,000 shares of capital stock (par $1) to be offered for subscription by stockholders of record Oct. 15, 1954 on the basis of three new shares for each five shares held. **Price**—$2 per share. **Proceeds**—To finance growth and expansion of the company's business. **Underwriters** — Johnston, Lemon & Co., Washington, D. C.; and Hettlemen & Co., New York, N. Y.

American Transit Corp., St. Louis, Mo.
Sept. 13 (letter of notification) 12,000 shares of 6% cumulative convertible preferred stock, series A. **Price**—At par ($25 per share). **Proceeds**—For working capital. **Office**—1034 Locust St., St. Louis, Mo. **Underwriter**—Newhard, Cook & Co., the same city.

American Uranium, Inc., Moab, Utah
Aug. 18 (letter of notification) 3,320,000 shares of capital stock. **Price**—At par (five cents per share). **Proceeds**—For exploration and development expenses. **Underwriter**—Ogden Uranium Brokerage Co., Ogden, Utah.

Ampal-American Israel Corp., New York
Sept. 17 filed $5,000,000 of 10-year 5% sinking fund debentures, series C, due 1964; $3,125,000 of 5-year discount debentures, series D; and $4,100,000 of 10-year discount debentures, series E. **Price**—Series C, at par; series D $2,507,659.53, to yield return equal to compound interest at rate of 4½% per annum, compounded; and series E $2,502,111.10, to yield 5%. **Proceeds**—For development and expansion of agricultural, industrial and commercial enterprises in Israel. **Underwriter**—None.

Arco Uranium, Inc., Denver, Colo.
Sept. 7 filed 2,500,000 shares of common stock, of which 1,000,000 shares are to be publicly offered, 1,000,000 shares in exchange for property and 300,000 shares to be optioned to Benjamin Arkin, President, and 200,000 shares to be optioned to underwriters. **Price**—At par (50 cents per share). **Proceeds**—To repay advances and loans from Mr. Arkin, purchase equipment and for exploration and development expenses. **Underwriter** — Peters, Writer & Christensen, Inc., Denver, Colo.

Arkansas Natural Resources Corp.
June 11 (letter of notification) 299,500 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For expenses incident to drilling for magnetic iron ore. **Office**—Rison, Ark. **Underwriter**—Eaton & Co., Inc., New York, N. Y.

Automatic Remote Systems, Inc., Baltimore
Aug. 4 filed 620,000 shares of common stock (par 50 cents), of which 540,000 shares are to be offered to public and 80,000 shares to be issued to underwriter. **Price**—$3.75 per share. **Proceeds**—For manufacture of Telebet units and Teleac systems and additions to working capital. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

Big Bend Uranium Co., Salt Lake City, Utah
Aug. 6 (letter of notification) 7,000,000 shares of common stock. **Price**—At par (three cents per share). **Proceeds**—For mining expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriter** — Call-Smoot Co., Phillips Building, same city.

Big Horn Uranium Corp., Ogden, Utah
Sept. 23 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development expenses. **Office**—3375 Harrison Blvd., Ogden, Utah. **Underwriter**—Allan W. Egbert Co., 2306 Iowa Ave., Ogden, Utah.

Big Indian Uranium Corp., Provo, Utah
July 15 (letter of notification) 500,000 shares of common stock (par 10 cents). **Price**—25 cents per share. **Proceeds**—For mining operations. **Address**—Box 77, Provo, Utah. **Underwriter**—Weber Investment Co., 242 N. University Ave., Provo, Utah.

Black Hawk Uranium & Metals Co.
Aug. 9 (letter of notification) 5,000,000 shares of capital stock. **Price**—At par (two cents per share). **Proceeds**—For mining operations. **Office**—136 S. State Street, Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

• **Bonanza Oil & Mine Corp. (10/12)**
Sept. 13 (letter of notification) 240,000 shares of common stock (par 10 cents). **Price**—At market (estimated at $1.25 per share). **Proceeds**—For expenses incident to mining of quicksilver. **Office**—Sutherline, Ore. **Underwriter**—L. D. Friedman & Co., Inc., New York.

Bonneville Basin Uranium Corp.
Aug. 23 (letter of notification) 15,000,000 shares of capital stock. **Price** — At par (two cents per share). **Proceeds** — For exploration and development expenses. **Office**—629 East South Temple St., Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., of the same city.

★ **Borealis Uranium Corp., Fall River, Mass.**
Sept. 27 (letter of notification) 50,000 shares of class A common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploratory expenses. **Office**—301 Granite Block, Fall River, Mass. **Underwriter**—None. Victor Spiegelmann is promoter.

★ **Brothers Chemical Co. (N. J.)**
Oct. 1 (letter of notification) 109,000 shares of common stock (par 10 cents). **Price**—$2.75 per share. **Proceeds**—For working capital. **Office** — 575 Forest St., Orange, N.J. **Underwriter**—Batkin & Co., New York.

Buffalo Forge Co., Buffalo, N. Y.
July 7 filed 85,000 shares of common stock (par $1). **Price**—To be related to current market price at time of offering. **Proceeds**—To 11 selling stockholders. **Under-**

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NEW ISSUE CALENDAR

October 7 (Thursday)

New York, New Haven & Hartford RR. ____ Equip. Trust Ctfs.
(Bids noon EST) $2,595,000

Southern New England Telephone Co. ____ Common
(Bids 11 a.m. EST) 130,411 shares

October 8 (Friday)

Central Louisiana Electric Co., Inc. ____ Debentures
(Offering to common stockholders—underwritten by Kidder, Peabody & Co.) $3,772,100

October 11 (Monday)

Nevada Southern Gas Co. ____ Preferred & Common
(First California Co., Inc.) $1,000,000

Zotox Pharmacal Co., Inc. ____ Common
(Frederick H. Hatch & Co., Inc.) $300,000

October 12 (Tuesday)

Bonanza Oil & Mine Corp. ____ Common
(L. D. Friedman & Co., Inc.) $300,000

State Loan & Finance Corp. ____ Debentures
(Johnston, Lemon & Co.) $8,000,000

October 13 (Wednesday)

Lester Engineering Co. ____ Common
(Saunders, Stiver & Co. and The First Cleveland Corp.) $525,000

Mississippi Power & Light Co. ____ Preferred
(Bids 11 a.m. EST) $4,447,600

Peerless Casualty Co. ____ Common
(Offering to stockholders—underwritten by Kidder, Peabody & Co.) 170,000 shares

Savannah Electric & Power Co. ____ Bonds, Debs. & Preferred
(Bids 11 a.m. EST) $11,000,000

October 14 (Thursday)

Fitzsimmons Stores, Inc. ____ Class A
(Reynolds & Co. and Lester, Ryons & Co.) 100,000 shares

General Gas Corp. ____ Common
(Kidder, Peabody & Co.) 100,000 shares

Incorporated Income Fund ____ Common
(Kidder, Peabody & Co.) 750,000 shares

Israel-Mediterranean Petroleum, Inc. ____ Common
(Gearhart & Otis, Inc.) 750,000 shares

Pan-Israel Oil Co., Inc. ____ Common
(Gearhart & Otis, Inc.) 750,000 shares

Wisconsin Public Service Corp. ____ Bonds
(Bids 10 a.m. CST) $12,500,000

October 15 (Friday)

Continental Uranium, Inc. ____ Common
(Van Alstyne, Noel & Co.) $1,250,000

Penobscot Chemical Fibre Co. ____ Bonds
(Coffin & Burr, Inc. and Chace, Whiteside, West & Winslow, Inc.) $1,400,000

Venezuelan Sulphur Corp. of America ____ Common
(Hunter Securities Corp.) $3,000,000

October 18 (Monday)

American Mercury Insurance Co. ____ Common
(Offering to stockholders—underwritten by Johnston, Lemon & Co. and Hettlemen & Co.) $300,000

Texas Power & Light Co. ____ Bonds
(Bids 11:30 a.m. EST) $20,000,000

October 19 (Tuesday)

New York Telephone Co. ____ Bonds
(Bids to be invited) $75,000,000

October 20 (Wednesday)

Clary Multiplier Corp. ____ Common
(Blyth & Co., Inc.) 250,000 shares

Hazel Bishop, Inc. ____ Common
(Hayden, Stone & Co.) 250,000 shares

Louisiana Power & Light Co. ____ Bonds
(Bids to be invited) $18,000,000

Standard-Thomson Corp. ____ Preferred
(Lee Higginson Corp. and P. W. Brooks & Co., Inc.) $1,750,000

Templeton Growth Fund of Canada, Ltd. ____ Common
(White, Weld & Co.) $10,750,000

October 21 (Thursday)

Package Machinery Co. ____ Common
(F. S. Moseley & Co.) 60,000 shares

October 25 (Monday)

Thompson-Starrett Co., Inc. ____ Preferred
(Blair & Co., Inc. and Emanuel, Deetjen & Co.) $1,450,000

October 26 (Tuesday)

Continental Oil Co. ____ Debentures
(Morgan Stanley & Co.) $100,000,000

Cott Beverage Corp. ____ Common
(Ira Haupt & Co.) 200,000 shares

October 27 (Wednesday)

Florida Power Corp. ____ Bonds
(Bids to be invited) $12,000,000

Florida Power & Light Co. ____ Bonds
(Bids 11:30 a.m. EST) $10,000,000

November 8 (Monday)

National Fuel Gas Co. ____ Common
(Offering to stockholders—no underwriting) 381,018 shares

November 9 (Tuesday)

Chesapeake & Ohio Ry. ____ Bonds
(Bids to be invited) $40,000,000

Sierra Pacific Power Co. ____ Bonds
(Bids to be invited) $4,000,000

November 16 (Tuesday)

Pacific Telephone & Telegraph Co. ____ Debentures
(Bids to be invited) $50,000,000

December 14 (Tuesday)

New Orleans Public Service Inc. ____ Bonds
(Bids to be invited) $6,000,000

December 15 (Wednesday)

Illinois Central RR. ____ Debentures
(Bids to be invited) $15,000,000

Continued from page 37

writer—Hornblower & Weeks, New York. Offering—Postponed indefinitely.

★ Burlington Mills Corp., Greensboro, N. C.
Oct. 1 filed 151,936 shares of 4½% preference stock (par $100) and 546,969 shares of common stock (par $1) to be offered in exchange for the 455,807 outstanding shares of capital stock of Pacific Mills not now owned by Burlington Mills on the basis of one-third share of preferred and 1⅕ shares of common stock for each Pacific Mills share. The offer is to expire on Nov. 5, 1954, unless extended. Burlington Mills presently own 503,245 shares, or 52.4% of the outstanding Pacific Mills stock. **Underwriter**—None.

★ California Tuna Fleet, Inc., San Diego, Calif.
Sept. 29 filed $4,000,000 of 6% sinking fund debentures due 1966 and 160,000 shares of common stock (par five cents) to be offered in units of a $500 debenture and 20 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—For purchase from National Marine Terminal, Inc. of its undivided interest in 17 tuna clippers, subject to certain liabilities; for construction of four tuna clippers; and the balance for working capital and general corporate purposes. **Underwriter** — Barrett Herrick & Co., Inc., New York.

★ Canadian Delhi Petroleum Ltd., Calgary, Can.
Oct. 5 filed 268,868 shares of capital stock (par 10 cents-Canadian) to be offered for subscription by stockholders of record Oct. 15, at the rate of one new share for each 12 shares held. **Price**—To be supplied by amendment. **Proceeds**—To be advanced to Canadian Delhi Oil Ltd., a wholly-owned subsidiary. **Underwriter**—None.

Cane Springs Uranium Corp.
Sept. 16 (letter of notification) 1,200,000 shares of common stock (par one cent). **Price**—25 cents per share. **Proceeds**—For exploration and development costs. **Office**—404 N. 2nd West, Salt Lake City, Utah. **Underwriter**—Luster Securities & Co., Jersey City, N. J.

Caramba McKafe Corp. of America
Sept. 17 (letter of notification) 100,000 shares of class A stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To purchase equipment and machinery and for working capital. **Office**—615 Adams St., Hoboken, N. J. **Underwriter**—Garden State Securities, same city.

Carolina Resources Corp.
Aug. 19 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To acquire claims and mining equipment, erect and equip processing plant, and for working capital. **Office**—Nantahala Bldg., Franklin, N. C. **Underwriter** — Allen E. Beers Co., Western Savings Fund Bldg., Phila. 7, Pa.

★ Central City Uranium Co., Central City, Colo.
Sept. 27 (letter of notification) 550,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For exploration and development expenses. **Underwriter**—None. Frank L. Jones, an officer and promoter of Central City, Colo., will handle sales.

Central Louisiana Electric Co., Inc. (10/8)
Sept. 22 filed $3,772,100 of convertible debentures due 1964 to be offered for subscription by common stockholders of record Oct. 4, 1954, on the basis of $100 of debentures for each 27 shares of common stock held; rights to expire on Oct. 27. **Price**—To be supplied by amendment. **Proceeds**—To retire $2,800,000 outstanding 4½% debentures due 1972 and for construction program. **Underwriter**—Kidder, Peabody & Co., New York.

★ Central Uranium & Milling Corp., Denver, Colo.
Sept. 27 (letter of notification) 600,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For exploration and development expenses. **Office** — Empire Bldg., Denver, Colo. **Underwriters**—Gearhart & Otis, Inc., and Jay W. Kaufmann & Co., both of New York.

Certain-teed Products Corp., Ardmore, Pa.
Sept. 28 filed 412,950 shares of common stock (par $1) to be offered in exchange for 825,900 shares of capital stock (par $7) of Wm. Cameron & Co., Waco, Tex., at rate of one-half share of Certain-teed, plus $11.50 per share in cash for each share of Cameron stock.

★ Cessna Aircraft Co., Wichita, Kan.
Sept. 29 (letter of notification) 1,800 shares of common stock (par $1). **Price**—At market. **Proceeds**—To Dwane L. Wallace, the selling stockholder. **Underwriter**—Harris, Upham & Co., New York.

Cherokee Utah Uranium Corp.
June 24 (letter of notification) 6,000,000 shares of capital stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Salt Lake City, Utah.

Chief Ute Uranium, Inc.
Sept. 10 (letter of notification) 3,500,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds**—For exploration and development costs. **Office**—638 S. State St., Salt Lake City, Utah. **Underwriter**—Ned J. Bowman & Co., the same city.

● Clary Multiplier Corp. (10/20)
Sept. 27 filed 250,000 shares of common stock (par $1). **Price** — To be supplied by amendment. **Proceeds** — To retire bank loans, to develop new electronic digital computer and other products and for working capital. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif., and New York, N. Y.

Colorado Mining Corp., Denver, Colo.
Aug. 23 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—At the market (estimated at $1 per share). **Proceeds**—To certain selling stockholders. **Underwriter**—L. D. Friedman & Co., Inc., New York.

● Columbia Telephone Co.
Sept. 16 (letter of notification) 5,000 shares of common stock (par $25) being offered to common stockholders of record Sept. 30, 1954, on the basis of five new shares for each 13 shares held; rights to expire on Oct. 31. **Price**—$40 per share. **Proceeds**—To convert to dial operation and for modernization and expansion of company's facilities. **Office**—40 North Third St., Columbia, Pa. **Underwriter**—None.

Consol. Edison Co. of New York, Inc.
April 7 filed $50,000,000 of first and refunding mortgage bonds, series K, due May 1, 1984. **Proceeds**—To be applied towards cost of redeeming $27,982,000 New York Steam Corp. first mortgage bonds and $25,000,000 Westchester Lighting Co. general mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Offering**—Originally set for May 11, but has been postponed because of market conditions. No new date set.

★ Continental Oil Co. (10/26-27)
Oct. 6 filed $100,000,000 of sinking fund debentures due Nov. 1, 1984. **Price** — To be supplied by amendment. **Proceeds**—To retire $45,000,000 3¼% term loan notes now payable to banks, for exploration and development of oil and gas properties and for other general corporate purposes. **Underwriter** — Morgan Stanley & Co., New York.

Continental Uranium, Inc. (10/15-20)
Sept. 24 filed 500,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—To pay for properties, for development and drilling program and for general corporate purposes. **Office** — Chicago, Ill. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ Coronet Kitchens, Inc., North Miami, Fla.
Sept. 28 (letter of notification) 110,040 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For production and sale of custom made wood kitchen cabinets. **Office** — 1510 N. E. 131st St., North Miami, Fla. **Underwriter**—None.

● Cott Beverage Co. (10/26-27)
Aug. 27 filed 200,000 shares of common stock (par $1.50), of which 120,000 shares are for the account of the company and 80,000 shares for certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For expansion. **Office**—New Haven, Conn. **Underwriter**—Ira Haupt & Co., New York.

Crestview Memorial Park, Inc., Dallas, Tex.
Sept. 21 (letter of notification) 295,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For perpetual care of cemeteries, etc. **Office** — 304 Empire State Bank Bldg., Dallas, Tex. **Underwriter** — Transwestern Investment Co., Inc., the same city.

★ Deere & Co., Moline, Ill.
Oct. 5 filed 246,842 shares of common stock (par $10). **Price**—To be related to current market price on the New York Stock Exchange. **Proceeds**—To executors of estate of Katherine Deere Butterworth, deceased. **Underwriter**—Harriman Ripley & Co., Inc., New York.

★ DeLuxe Check Printers, Inc., St. Paul, Minn.
Sept. 28 (letter of notification) 3,000 shares of common stock (par $10), to be offered for subscription by employees under employees' stock purchase plan. **Price**—$80 per share. **Proceeds** — For capital expenditures and working capital. **Office**—530 North Wheeler St., St. Paul, Minn. **Underwriter**—None.

Dole (James) Engineering Co.
Sept. 17 (letter of notification) $216,619 of 5% convertible income notes due Jan. 1, 1961 to be offered to stockholders. Each $1 of notes is convertible into one share of common stock (par $1). **Price**—At par. **Proceeds**—For working capital. **Office**—58 Sutter St., San Francisco, Calif. **Underwriter**—None.

El Dorado Mining Co.
Aug. 23 (letter of notification) 17,500,000 shares of common stock. **Price** — At par (one cent per share). **Proceeds** — For exploration and development expenses. **Office**—223 Phillips Petroleum Building, Salt Lake City, Utah. **Underwriter**—Van Blerkom & Co., same city.

El Rey Uranium Corp., Salt Lake City, Utah
Aug. 24 (letter of notification) 1,475,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For exploration and development expenses. **Office**—510 Newhouse Building, Salt Lake City, Utah. **Underwriters** — Mid-Continent Securities, Inc., Cromer Brokerage Co. and Coombs & Co., all of Salt Lake City.

Eldorado Uranium Corp., Austin, Nev.
Sept. 15 (letter of notification) 2,500,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriter**—Allied Underwriters Co., Las Vegas, Nev.

Farmers Underwriters Association
Sept. 17 (letter of notification) 3,000 shares of common stock (par $1). **Price**—$30.90 per share. **Proceeds**—To John C. Tyler, Chairman of the Board. **Office** — 4680 Wilshire Boulevard 54, Los Angeles, Calif. **Underwriter**—Lester, Ryons & Co., same city.

Fidelity Acceptance Corp., Minneapolis, Minn.
Aug. 30 filed 6,000 shares of 7% cumulative preferred stock (par $25), to be offered to employees; $900,000 of 5¾% capital debentures and 24,000 shares of 6% cumulative class E preferred stock (par $25). **Price**—At par. **Proceeds**—To reduce outstanding bank loans. **Underwriters**—M. H. Bishop & Co., Minneapolis, Minn., and B. I. Barnes, Boulder, Colo.

Financial Credit Corp., New York
Jan. 29 filed 250,000 shares of 7% cumulative sinking fund preferred stock. **Price**—At par ($2 per share). **Proceeds**—For working capital. **Underwriter**—E. J. Fountain & Co., Inc., New York.

First Railroad & Banking Co. of Georgia
July 30 filed 42,000 units, each consisting of one share of common stock, one warrant to subscribe at $4.10 per share to 13 shares of common stock, and one $250 5% collateral trust bond due Aug. 1, 1988, being offered for each of the 42,000 shares of outstanding common stock pursuant to plan of readjustment; also 756,000 shares of common stock, which includes 546,000 shares subject to subscription at $4.10 per share upon exercise of warrants within 30 days from date of issuance, and 210,000 shares being offered to public at $4.50 per share through Johnson, Lane, Space & Co., Savannah, Ga., who will also purchase such of the 546,000 shares of common stock not sold upon exercise of warrants. The exchange offer was to expire on Oct. 5.

● Fitzsimmons Stores, Ltd. (10/14)
Sept. 21 filed 100,000 shares of class A stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To retire bank and insurance company loans and to increase working capital. **Underwriters**—Reynolds & Co., New York, and Lester, Ryons & Co., Los Angeles, Calif.

● Florida Power Corp. (10/27)
Sept. 28 filed $12,000,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Lehman Brothers; Glore, Forgan & Co. **Bids**—Expected to be received on Oct. 27.

★ Florida Power & Light Co. (10/27)
Sept. 30 filed $10,000,000 of first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. and Lehman Brothers (jointly); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. **Bids**—Expected to be received up to 11:30 a.m. (EST) on Oct 27.

Forming Machine Co. of America, Inc.
Sept. 1 (letter of notification) 7,000 shares of common stock (par $1) being offered for subscription by stockholders of record Sept. 24 for a 30-day period on a 1-for-5 basis (with an oversubscription privilege). **Price**—$25 per share to stockholders; $30 to public. **Proceeds**—For working capital. **Office**—18 Hamilton St., Bound Brook, N. J. **Underwriter**—None.

Four States Uranium Corp., Grand Junction, Colo.
Aug. 16 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploratory and development expenses. **Office** — 618 Rood Avenue, Grand Junction, Colo. **Underwriter** — Joe Rosenthal, 1669 Broadway, Denver, Colo.

★ Frontier Mining Co., Denver, Colo.
Sept. 24 (letter of notification) 15,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development costs. **Office**—1650 Grant Street Bldg., Denver, Colo. **Underwriter**—None.

Gateway Uranium Corp., Salt Lake City, Utah
Sept. 10 (letter of notification) 1,192,000 shares of common stock (par 20 cents). **Price** — 25 cents per share. **Proceeds**—For exploration and development costs, etc. **Office**—Hotel Newhouse, Salt Lake City, Utah. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah, and Las Vegas, Nev.

Gatineau Uranium Mines Ltd. (Canada)
Aug. 10 (Regulation "D") 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs. **Office** — 100 Adelaide St. West, Toronto, Canada. **Underwriter**—McCoy & Willard, Boston, Mass.

General Gas Corp.
Sept. 22 filed 143,500 shares of common stock (par $5) to be offered in exchange for common stock of Consolidated Gas Co. of Atlanta, Ga., on the basis of 63/100ths of a share of General Gas for each Consolidated share. The offer is subject to deposit of at least 175,000 shares of Consolidated stock out of 210,000 shares outstanding. **Underwriter**—None.

● General Gas Corp., Baton Rouge, La. (10/13)
March 19 filed 100,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter**—Kidder, Peabody & Co., New York.

General Services Life Insurance Co.
Sept. 14 filed 50,000 shares of class A common stock (par $1). **Price**—$10 per share. **Proceeds**—For general corporate purposes. **Office**—Washington, D. C. **Underwriter**—None.

★ General Tire & Rubber Co.
Oct. 4 filed $3,000,000 participations in the company's second employees' stock purchase plan, together with 80,536 shares of common stock (par $2.50) purchaseable thereunder.

Great Basins Petroleum Co., Denver, Colo.
Aug. 30 filed 500,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and reduce other debt. **Underwriter**—First California Co., Inc., San Francisco, Calif.

Great Chief Uranium Co., Salt Lake City, Utah
Sept. 20 (letter of notification) 20,000,000 shares of common stock. **Price** — At par (one cent per share). **Proceeds** — For exploration and development costs, etc. **Office** — 412 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Havenor-Cayias, Inc., same city.

Gulf States Utilities Co.
May 14 filed 160,000 shares of preferred stock (par $100). **Proceeds** — To redeem 50,000 shares of $4.50 dividend preferred stock, 60,000 shares of $4.40 dividend preferred stock, 1949 series, and 50,000 shares of $4.44 dividend preferred stock at the prevailing redemption prices of

$105, $105, and $105.75, respectively. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Had tentatively been expected to be received up to 11:30 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gulf States Utilities Co.
May 14 filed $24,000,000 of first mortgage bonds due June 1, 1984. **Proceeds**—To redeem $10,000,000 of 3⅜% first mortgage bonds due 1981 and $10,000,000 of 3⅜% first mortgage bonds due 1983, and for general corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Union Securities Corp.; Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Had tentatively been expected to be received up to 11 a.m. (EDT) on June 15 at The Hanover Bank, 70 Broadway, New York, N. Y., but offering has been postponed.

Gulf Sulphur Corp., North Kansas City, Mo.
Sept. 15 filed 92,310 shares of 60-cent cumulative convertible preferred and participating stock (par 10 cents), of which 57,310 shares are to be offered publicly at $10 per share and 35,000 shares to be sold to V. V. Jacomini, a partner of Tehuantepec Co., on an investment basis, at $8.50 per share. **Proceeds** — For operating expenses and exploration development. **Underwriters** — For the 57,310 shares, Fridley & Hess and Crockett & Co., both of Houston, Tex.

Hawaiian Electric Co., Ltd., Honolulu
Sept. 14 filed 50,000 shares of common stock (par $20) to be offered for subscription by stockholders at rate of one new share for each 13 shares held. **Price**—To be supplied by amendment. **Proceeds** — For construction program. **Underwriter**—None.

★ **Hazel Bishop, Inc., New York (10/20)**
Sept. 30 filed 250,000 shares of common stock (par 10 cents), of which 150,000 shares are to be offered for account of company and 100,000 shares for selling stockholder. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Hayden, Stone & Co., New York.

★ **Helio Aircraft Corp., Canton, Mass.**
Sept. 28 (letter of notification) 10,000 shares of common stock and 10,000 shares of preferred stock (par $1 each) to be offered in units of one share of each class of stock. **Price**—$25 per unit. **Proceeds**—To design, develop and manufacture light aircraft. **Office**—Metropolitan Airport, Canton, Mass. **Underwriter**—None.

Home Telephone & Telegraph Co.
Sept. 10 (letter of notification) 36,000 shares of common stock (no par), to be offered for subscription by stockholders (of which 27,358 shares will be purchased by Telephone Bond & Share Co., the parent). **Price**—$20 per share. **Proceeds**—For construction costs and working capital. **Office**—303 E. Berry St., Fort Wayne, Ind. **Underwriter**—None.

Homestead Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 3,000,000 shares of capital stock (par one cent). **Price**—10 cents per share. **Proceeds** — For exploration and development expenses. **Office**—65 East Fourth South St., Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., of the same city.

Husky Oil Co., Cody, Wyo.
Sept. 29 filed 14,899 shares of 6% cumulative first preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds**—To purchase outstanding shares of prior preferred stock of Gate City Steel Works, Inc. of Omaha, and for drilling expenses, etc. **Underwriter**—First Trust Co. of Lincoln, Neb.

Incorporated Income Fund (10/14)
Sept. 15 filed 750,000 shares of common stock (par $1). **Price**—Expected to be around $8 per share. **Proceeds**—For investment. **Office**—Boston, Mass. **Underwriter**—Kidder, Peabody & Co., New York.

★ **International Bankers Life Insurance Co.**
Sept. 29 (letter of notification) 12,500 shares of common stock to be offered for subscription by stockholders of record Sept. 20, 1954 at rate of one new share for each share held. **Price**—At par ($10 per share). **Proceeds**—For addition to capital and to be invested in appropriate securities. **Office**—Continental Life Building, Fort Worth, Texas. **Underwriter**—None.

Investment Corp. of America
Aug. 30 (letter of notification) 3,799 shares of cumulative preferred stock (no par) and 3,799 shares of common stock (no par). **Price**—For preferred, $20 per share, and for common, $2 per share. **Proceeds**—For working capital. **Office**—3603 Broadway, San Antonio, Tex. **Underwriter**—Interior Securities, Inc., San Antonio, Tex.

★ **Israel American Oil Corp., Jerusalem, Israel**
Oct. 5 filed 750,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For exploration and development program. **Underwriter**—Bear, Stearns & Co., New York.

• **Israel-Mediterranean Petroleum, Inc. (10/14)**
Sept. 21 filed American voting trust certificates for 900,000 shares of common capital stock (par one cent), of which 750,000 shares are to be offered to public. The remaining 150,000 shares to be under option to underwriters. **Price**—Last sale on American Stock Exchange day preceding the offering. **Purpose**—For exploratory drilling and development of presently held acreage in Israel. **Underwriter**—Gearhart & Otis, Inc., New York.

Keystone Fund of Canada, Ltd., Montreal, Canada
Aug. 2 filed 1,250,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Underwriter**—The Keystone Co. of Boston, Boston, Mass.

Ladoric Mines Ltd., Montreal, Canada
July 30 (regulation "D") 600,000 shares of common stock (par five cents). **Price**—50 cents per share. **Proceeds**—For exploration, etc. **Office**—3455 Stanley St., Montreal, Canada. **Underwriter** — Daggett Securities, Inc., Newark, N. J.

Lake Lauzon Mines, Ltd., Toronto, Can.
Aug. 2 filed 660,000 shares of common stock (par $1, Canadian), of which 500,000 shares are to be offered in behalf of the company and 160,000 shares for account of Percy E. Rivett. **Price**—40 cents per share, U. S. funds. **Proceeds** — For development and exploration expenses. **Underwriter**—To be named by amendment.

• **Lester Engineering Co., Cleveland (10/13)**
Sept. 22 filed 100,000 shares of common stock (par $1), of which 85,000 shares are to be offered to public and 15,000 shares to stockholders and members of their families. **Price**—To public, $6 per share; and to stockholders, $5.25 per share. **Proceeds**—To be used as part payment for certain assets of The Phoenix Machine Co. **Underwriters**—Saunders, Stiver & Co. and The First Cleveland Corp., both of Cleveland, O.

Liberty Uranium Corp., Salt Lake City, Utah
July 1 (letter of notification) 3,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For mining operations. **Office**—402 Darling Bldg., Salt Lake City, Utah. **Underwriter** — Uranium Mart, Inc., 146 S. Main St., Salt Lake City, Utah.

Lincoln Telephone & Telegraph Co.
Sept. 22 (letter of notification) 9,623 shares of common stock (par $16⅔) to be offered for subscription by stockholders of record Sept. 1 on the basis of one new share for each 19 shares held; rights to expire on Nov. 2, 1954. **Price** — $26 per share. **Proceeds** — For working capital. **Office**—1342 M St., Lincoln, Neb. **Underwriter**—None.

Loma Uranium Corp., Denver, Colo.
June 18 filed 1,000,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—For exploration and development costs, purchase of equipment, and reserve for acquisition of additional properties. **Underwriter**—Peter Morgan & Co., New York. **Offering**—Expected later in September.

Lorain Telephone Co., Lorain, Ohio
Sept. 7 (letter of notification) 2,500 shares of common stock (no par) to be first offered for subscription by stockholders. **Price**—$20 per share. **Proceeds**—To reimburse treasury for expenditures already made for additions to property. **Office**—203 West Ninth Street, Lorain, Ohio. **Underwriter**—None.

Louisiana Power & Light Co. (10/20)
Sept. 14 filed $18,000,000 of first mortgage bonds due 1984. **Proceeds**—To redeem $12,000,000 4% bonds due 1983, and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Salomon Bros. & Hutzler; Kuhn, Loeb & Co., Lehman Brothers and A. C. Allyn & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); Union Securities Corp. and Wertheim & Co. (jointly); Blyth & Co., Inc.; W. C. Langley & Co., The First Boston Corp. and Glore Forgan & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected Oct. 20.

Mac Fos Uranium, Inc., Salt Lake City, Utah
Sept. 16 (letter of notification) 4,000,000 shares of common stock (par one cent). **Price**—Three cents per share. **Proceeds**—For exploration and development costs. **Office**—239 Ness Bldg., Salt Lake City, Utah. **Underwriter**—Utah Securities Co., same city.

Magic Metals Uranium Corp.
Sept. 14 (letter of notification) 2,995,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development expenses. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter**—Mid-Coninent Securities, Inc., the same city.

★ **Mercast Corp., N. Y.**
Sept. 30 (letter of notification) 5,000 shares of common stock (par 10 cents). **Price**—$4.75 net to sellers. **Proceeds**—To Atlas Corp. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—Franklin, Mayer & Barnett, New York City.

• **Merritt-Chapman & Scott Corp.**
Sept. 7 filed 448,868 shares of common stock (par $12.50) being offered in exchange for stock of the Marion Power Shovel Co. and Osgood Co. on the basis of three shares for each two Marion Power common shares, and two shares for each three shares of Osgood Co.'s class A and class B stock not held by Marion Power Shovel Co. The offer will expire on Oct. 26. **Underwriter**—None.

Middle South Utilities, Inc.
Sept. 1 filed 475,000 shares of common stock (par $10) being offered for subscription by common stockholders of record Sept. 22 on the basis of one new share for each 15 shares held (with an oversubscription privilege); rights to expire Oct. 8. **Price**—$28 per share. **Proceeds**—To retire $12,000,000 of bank loans and for investment in the System companies and for other corporate purposes. **Underwriter**—None.

Mississippi Power & Light Co. (10/13)
Sept. 3 filed 44,476 shares of cumulative preferred stock (par $100) to be offered in exchange for a like number of outstanding shares of $6 cumulative preferred stock (no par) on a share-for-share basis (with a cash adjustment). **Underwriter**—To be determined by competitive bidding. Probable bidders: Union Securities Corp. and Equitable Securities Corp. (jointly); Lehman Brothers; Blyth & Co., Inc. and Shields & Co. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Oct 13, at 2 Retcor St., New York, N. Y.

Monterey Uranium Corp., Salt Lake City, Utah
Aug. 13 (letter of notification) 1,500,000 shares of common stock (par 10 cents). **Price**—20 cents per share. **Proceeds**—For mining operations. **Underwriter**—Muir, Dumke & Co., Salt Lake City, Utah.

★ **Moore Fabrics, Inc., Pawtucket, R. I.**
Sept. 24 (letter of notification) 40,000 shares of common stock. **Price**—At par ($7.50 per share). **Proceeds**—For working capital. **Office**—45 Washington St., Pawtucket, R. I. **Underwriter**—Barrett & Co., same city.

Mountain States Uranium, Inc.
May 19 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (1 cent per share). **Proceeds**—For mining expenses. **Office**—1117 Miner St., Idaho Springs, Colo. **Underwriter**—Underwriters, Inc., Sparks, Nevada.

Natick Industries, Inc., Natick, Mass.
March 10 (letter of notification) 58,800 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital, etc. **Underwriter**—J. P. Marto & Co., Boston, Mass.

National Fuel Gas Co. (11/8)
Sept. 29 filed 381,018 shares of common stock (no par) to be offered for subscription by common stockholders of record about Nov. 8 on the basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire about Nov. 29. **Proceeds**—For investments in and advances to subsidiaries. **Underwriter**—None.

★ **National Plumbing Stores Corp.**
Sept. 29 (letter of notification) $250,000 of 20-year 3½% income notes due Oct. 1, 1971. **Price**—At par (in denominations of $500 and $1,000). **Proceeds**—For expansion and working capital. **Office**—35-17 31st St., Long Island City, N. Y. **Underwriter**—None.

• **Nevada Southern Gas Co. (10/11-12)**
Aug. 30 filed 20,000 shares of 6% first preferred stock (par $20) and 100,000 shares of common stock (par $1). **Price**—Of preferred, $20 per share; and of common, $6 per share. **Proceeds**—To repay obligations of the company incurred in connection with the acquisition of the business and assets of Las Vegas Gas Co. **Underwriter**—First California Co., Inc., San Francisco, Calif.

New England Electric System
Aug. 20 filed 910,883 shares of common stock (par $1) being offered for subscription to common stockholders on the basis of one new share for each 10 shares held at the close of business on Sept. 29; rights to expire on Oct. 14. **Price**—$15 per share. **Proceeds**—To construction program of its subsidiaries. **Underwriter**—Blyth & Co., Inc., Lehman Brothers and Bear, Stearns & Co. (jointly).

New Silver Belle Mining Co., Inc., Almira, Wash.
Sept. 8 (letter of notification) 500,000 shares of common stock (par two cents). **Price**—10 cents per share. **Proceeds**—For exploration and development costs. **Underwriters**—Percy Dale Lanphere and R. E. Nelson & Co., both of Spokane, Wash.

New York Telephone Co. (10/19)
Sept. 29 filed $75,000,000 of 35-year refunding mortgage bonds, series H, due Oct. 15, 1989. **Proceeds**—To refund $35,000,000 of 3⅞% series G bonds and repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and Glore, Forgan & Co. (jointly). **Bids**—Expected to be received on Oct. 19.

Northern California Plywood, Inc.
Sept. 13 filed 300 shares of common stock (par $5,000) and 5,000 shares of 5% cumulative participating preferred stock (par $100). **Price**—At par. **Proceeds**—To purchase properties of Paragon Plywood Corp. and purchase of raw materials. **Office** — Crescent City, Calif. **Underwriter**—None. Sales to be made through Raymond Benjamin Robbins.

Northern Oil & Gas Corp., Bismarck, N. D.
Sept. 16 (letter of notification) 250,000 shares of 6% preferred stock (par $1) and 50,000 shares of common stock (par $1) to be offered in units of five shares of preferred and one share of common stock. **Price**—$6 per unit. **Proceeds**—For oil and gas exploration. **Office**—408½ main St., Bismarck, N. D. **Underwriter**—Transwestern Investment Co., Inc., Dallas, Tex.

Northwest Defense Minerals, Inc.
Aug. 12 (letter of notification) 300,000 shares of common stock, of which 270,000 shares are to be offered to public and 30,000 shares to underwriter. **Price**—$1 per share. **Proceeds**—For mining operations. **Office**—2101 S St., N. W., Washington, D. C. **Underwriter**—Mitchell Securities, Inc., Baltimore, Md.

Ol Jato Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,750,000 shares of common stock (par one cent). **Price**—15 cents per share. **Proceeds**—For mining operations. **Office**—114 Atlas Bldg., Salt Lake City, Utah. **Underwriter** — Rocky Mountain Securities, the same city.

• **O'Sullivan Rubber Corp.**
Aug. 23 (letter of notification) 15,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—To a selling stockholders. **Underwriters** — Troster, Singer & Co., New York, N. Y., and C. F. Cassell & Co., Charlottesville, Va. Offering withdrawn.

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★ Pacific Clay Products, Los Angeles, Calif.
Oct. 6 filed 43,625 shares of capital stock (par $8). **Price**—To be supplied by amendment. **Proceeds**—To Reese L. Milner, the selling stockholder. **Underwriter**—Kidder, Peabody & Co., New York.

★ Package Machinery Co., East Longmeadow, Massachusetts (10/21)
Oct. 1 filed 60,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—From sale of stock, and from private placements of notes and debentures, to be used to retire $1,050,000 of debentures now outstanding, to acquire capital stock of Reed-Prentice Corp., and for working capital. **Underwriter**—F. S. Moseley & Co., Boston, Mass.

★ Pan-American Uranium, Inc.
Sept. 20 (letter of notification) 600,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds**—For exploration and development costs. **Office**—100 West 10th St., Wilmington, Del. **Underwriter**—Hale & Co., Salt Lake City, Utah.

● Pan-Israel Oil Co., Inc. (10/14)
Sept. 21 filed American voting trust certificates for 900,000 shares of common capital stock (par one cent), of which 750,000 shares are to be publicly offered. The remaining 150,000 shares are to be optioned to underwriters. **Price**—Last sale on American Stock Exchange day preceding the offering. **Proceeds**—For exploratory drilling and development of presently held acreage in Israel. **Underwriter**—Gearhart & Otis, Inc., New York.

● Peerless Casualty Co., Keene, N. H. (10/13)
Sept. 24 filed 170,000 shares of common stock (par $5) to be offered for subscription by common stockholders on the basis of one new share for each two shares held. of record about Oct. 13; rights to expire Oct. 23. **Price**—To be supplied by amendment. **Proceeds**—To increase capital and surplus. **Underwriter** — Kidder, Peabody & Co., New York.

● Penobscot Chemical Fibre Co. (10/15)
Sept. 27 filed $1,400,000 first mortgage 4⅛% bonds due Oct. 1, 1974. **Price**—To be supplied by amendment. **Proceeds** — To redeem $1,124,000 of outstanding 5% bonds at 103¼% and 2,942 shares of 7% preferred stock at $103 per share. **Underwriters**—Coffin & Burr, Inc. and Chace, Whiteside, West & Winslow, Inc.

Peoples Securities Corp., New York
Aug. 11 filed 74,280 shares of capital stock. **Price**—$11 per share. **Proceeds**—For investment. **Office**—136 East 57th Street, New York, N. Y. **Underwriter**—None.

Quaker Warehouse Co., Inc., Philadelphia, Pa.
Sept. 10 filed $500,000 of 10-year 6% debentures due Sept. 1, 1964, to be offered to stockholder members of Quaker City Wholesale Grocery Co., a 100% cooperative retail grocer owned organization. **Price**—At par. **Proceeds**—To purchase building, and for modernization and improvements. **Underwriter**—None.

Rapid Film Technique, Inc., N. Y. City
July 30 (letter of notification) 60,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital. **Office**—21 West 46th Street, New York 36, N. Y. **Underwriter**—Jerome Rosenberg, Future Estate Planning 630 McLean Ave., Yonkers, N. Y.

Rieser's (H. F.) Sons, Inc.
Sept. 22 (letter of notification) 99,900 shares of class A common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To repay bank loan and for working capital. **Office**—West Leesport, Pa. **Business**—Engaged in manufacture, scientific compounding and processing of livestock feeds, for dairy cattle, poultry and swine. **Underwriter**—First Chelsea Corp., New York.

Sabre Uranium Corp., Dallas, Texas
Sept. 2 filed 1,400,000 shares of common stock (par 10 cents). **Price** — $1.25 per share. **Proceeds**—To pay for options, exploration and development and to be used for other general corporate purposes. **Underwriter**—Southwestern Securities Co., Dallas, Tex.

Samicol Uranium Corp., Santa Fe, N. M.
Sept. 14 filed 300,000 shares of common stock (par 10 cents). Price—$2 per share. **Proceeds**—For development and exploration expenses, etc. **Underwriters**—R. V. Klein Co. and McGrath Securities Corp., both of New York.

★ San Juan Racing Association (Puerto Rico)
Oct. 1 (letter of notification) 100,00 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—To build and operate a horse-racing establishment in Puerto Rico. **Office**—Flamingo Bldg., Santurce, P. R. **Underwriter**—Hunter Securities Corp., New York.

Santa Fe Uranium Co., Salt Lake City, Utah
Aug. 5 (letter of notification) 1,500,000 shares of common stock (par five cents). **Price**—20 cents per share. **Proceeds**—For exploration and development of properties. **Underwriter**—Coombs & Co., Salt Lake City, Utah.

Savannah Electric & Power Co. (10/13)
Sept. 16 filed $5,000,000 of first mortgage bonds due 1984 and $3,000,000 of debentures due Oct. 1, 1979. **Proceeds**—To redeem $5,000,000 of bonds and $3,000,000 of debentures presently outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Blyth & Co., Inc. (jointly); The First Boston Corp.; Blair & Co. Incorporated. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Oct. 13.

Savannah Electric & Power Co. (10/13)
Sept. 16 filed 30,000 shares of preferred stock, series A (par $100). **Proceeds**—To redeem a like number of preferred shares presently outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Blair & Co. Incorporated. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Oct. 13.

Selevision Western, Inc.
Aug. 27 (letter of notification) 240,000 shares of class A convertible stock (par $1). **Price**—$1.25 per share. **Proceeds**—For working capital, etc. **Underwriter**—Whitney-Phoenix Co., Inc., New York.

● Sierra Pacific Power
Sept. 10 filed 34,807 shares of common stock (par $15) to be offered for subscription by common stockholders of record Oct. 5 on the basis of one share for each five shares of preferred stock held and one new share for each 10 common shares held (with an oversubscription privilege); rights to expire on Oct. 22. **Price**—$32 per share. **Proceeds**—To repay bank loans and for new construction. **Underwriters** — Stone & Webster Securities Corp., New York; and Dean Witter & Co., San Francisco, Calif.

● Southern New England Telephone Co.
Sept. 17 filed 488,888 shares of capital stock (par $25) being offered for subscription by stockholders of record Sept. 29 on the basis of one new share for each nine shares then held; rights to expire on Oct. 29. **Price**—$30 per share. **Proceeds** — To repay advances from American Telephone & Telegraph Co., which owns 1,173,696 shares (or 26.67%) of the 4,400,000 shares presently outstanding. **Underwriter**—None.

Southern New England Telephone Co. (10/7)
Sept. 17 it was announced American Telephone & Telegraph Co. plans to sell the 1,173,696 rights which it will receive in connection with the abovementioned offering by Southern New England of 488,888 additional shares of its common stock at $30 per share on a 1-for-9 basis. **Underwriter**—To be determined by competitive bidding. Probable bidders: Putnam & Co., Chas W. Scranton & Co. and Cooley & Co. (jointly); White, Weld & Co. **Bids**—To be received up to 11 a.m. (EST) on Oct. 7 at office of American Telephone & Telegraph Co., Room 2315, 195 Broadway, New York, N. Y.

● Southwestern Financial Corp., Dallas, Texas
Aug. 30 (letter of notification) 285,000 shares of common stock (par 10 cents) being offered first for subscription by stockholders of Texas Industries, Inc. (with a 14-day standby). **Price**—$1 per share. **Proceeds**—To purchase equipment and for working capital. **Underwriters** — Rauscher, Pierce & Co., Dallas, Texas; and Russ & Co., San Antonio, Texas.

★ Spencer Green Fund, Inc., New York
Oct. 4 filed 150,000 shares of capital stock. **Price** — At market. **Proceeds**—For investment.

★ Square Root Industries, Inc.
Sept. 30 (letter of notification) 1,000,000 shares of common stock (par 10 cents) to be first offered to stockholders. **Price** — 30 cents per share. **Proceeds** — For working capital. **Office** — 391 Saw Mill River Road, Yonkers, N. Y. **Underwriter**—Israel & Co., New York.

★ Standard-Thomson Corp., Dayton, Ohio (10/20)
Sept. 30 filed 140,000 shares of 5½% cumulative preferred stock (par $12.50), convertible into common stock through Oct. 31, 1964. **Price**—To be supplied by amendment. **Proceeds**—To reduce RFC loans and for general corporate purposes. **Underwriters**—Lee Higginson Corp. and P. W. Brooks & Co., Inc., both of New York.

Star Uranium Corp., Salt Lake City, Utah
Aug. 2 (letter of notification) 6,000,000 shares of common stock (par one cent). **Price**—Five cents per share. **Proceeds** — For exploration and development costs. **Underwriter**—Ned J. Bowman Co., Salt Lake City, Utah.

Stardust, Inc., Reno, Nev.
July 9 filed 621,882 shares of preferred stock (par $10) and 621,882 shares of common stock (par one cent) to be offered in units of one share of each class of stock. **Price**—$10.01 per unit. **Proceeds**—For purchase of land and to construct and equip a luxury hotel. **Underwriter**—None.

● State Loan & Finance Corp. (10/12)
Sept. 10 filed $8,000,000 of 5% convertible capital debentures due Sept. 15, 1969. **Price**—At 100% of principal amount. **Proceeds**—To reduce outstanding bank loans. **Underwriter**—Johnston, Lemon & Co., Washington, D. C.

Stylon Corp., Milford, Mass.
Sept. 27 filed 650,000 shares of common stock (par $1) to be offered to the holders of the $1,300,000 City of Florence, Ala., 5% first mortgage industrial development revenue bonds on the basis of 500 shares of stock for each $1,000 bond up to and including Aug. 31, 1958; 333 shares per $1,000 bond thereafter and up to and including Aug. 31, 1963; 250 shares thereafter and up to and including Aug. 31, 1968; and 200 shares thereafter to Oct. 15, 1977. It is the present intention of the management of the company to hold any bonds so tendered for the purposes of receiving tax-free income thereon. **Underwriter**—None.

Superior Uranium Co., Las Vegas, Nev.
Sept. 1 (letter of notification) 29,910,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For development and exploration costs. **Office**—Medical Arts Bldg., Las Vegas, Nev. **Underwriter**—Uranium Brokers, Inc., the same city.

Supermarket Merchandisers of America, Inc.
July 15 (letter of notification) 199,700 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For working capital and business expansion. **Office**—3219 "B" St., Philadelphia, Pa. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

Syracuse Supply Co.
Sept. 22 (letter of notification) 26,000 shares of common stock (par $8). **Price**—$9.25 per share. **Proceeds**—For expansion and modernization of company's sales and service facilities and for working capital. **Office**—314 W. Fayette St., Syracuse, N. Y. **Underwriter**—George D. B. Bonbright & Co., Rochester, N. Y.

Sytro Uranium Mining Co., Inc., Dallas, Texas
Sept. 9 (letter of notification) 2,975,000 shares of common stock (par five cents). **Price**—10 cents per share. **Proceeds**—For exploration and development of properties. **Office** — 1406 Life of America Building, Dallas, Texas. **Underwriter** — Western Securities Corp., Salt Lake City, Utah.

Tacony Uranium Corp., Denver, Colo.
Aug. 17 (letter of notification) 1,700,000 shares of common stock. **Price**—10 cents per share. **Proceeds**—For exploration and development expenses. **Office** — 317 Railway Exchange Building, Denver, Colo. **Underwriter**—E. I. Shelley Co., Denver, Colo.

Tampa Marine Co., Tampa, Fla.
Sept. 28 filed 300,000 shares of class A stock (par $1), of which Gulf-Atlantic, Inc., Tampa, Fla., has agreed to purchase for distribution not less than 165,000 shares and to use its best efforts to sell the balance. **Price**—$3 per share. **Proceeds** — For construction of stevedoring facilities, purchase of additional barges and working capital. **Underwriter**—Gulf Atlantic, Inc., Tampa, Fla.

★ Templeton Growth Fund of Canada, Ltd. (10/20)
Oct. 1 filed 500,000 shares of common stock (par $1). **Price** — $21.50 per share. **Proceeds** — For investment. **Office**—Toronto, Canada. **Underwriter**—White, Weld & Co., New York.

Texas International Sulphur Co.
June 21 filed 455,000 shares of common stock (par 10 cents), of which 385,000 shares are to be offered for subscription by common stockholders at the rate of one new share for each 4½ shares held; and 70,000 shares are for account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For exploration and drilling, and payment of bank loans and advances. **Underwriter**—Vickers Brothers, New York, on a "best efforts" basis. **Offering**—Expected early in October.

Texas Power & Light Co. (10/18)
Sept. 22 filed $20,000,000 of first mortgage bonds due 1984. **Proceeds**—To redeem 3⅞% first mortgage bonds due 1983, and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); White, Weld & Co.; Kuhn, Loeb & Co.; Equitable Securities Corp. **Bids** — Expected to be received up to 11:30 a.m. (EST) on Oct. 18 at Room 2033, Two Rector St., New York 6, N. Y.

● Thompson-Starrett Co. Inc. (10/25-26)
July 29 filed 145,000 shares of cumulative convertible preferred stock (par $10). **Price** — To be supplied by amendment. **Proceeds**—To repay $1,000,000 bank loans and for general corporate purposes. **Underwriters**—Blair & Co., Inc. and Emanuel, Deetjen & Co., both of New York.

Thunderbird Uranium Co., Reno, Nev.
Aug. 3 (letter of notification) 1,800,000 shares of common stock (par 10 cents). **Price** — 15 cents per share. **Proceeds**—For mining activities. **Office**—206 N. Virginia St., Reno, Neb. **Underwriter**—Stock, Inc., Salt Lake City.

Tri-Continental Corp.
Sept. 8 filed 810,740 shares of new $2.70 cumulative preferred stock (par $50) being offered in exchange for the presently outstanding $6 preferred stock (no par value) on the basis of two new shares for each $6 preferred share held. Offer will expire on Oct. 27. Unexchanged $6 preferred stock will be called for redemption on Oct. 31. 1954. **Underwriter** — Union Securities Corp., New York.

Triassic Uranium, Inc., Casper, Wyo.
Sept. 20 (letter of notification) 30,000,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development costs. **Office**—300 Consolidated Royalty Bldg., Casper, Wyo. **Underwriter**—Glen E. Hendershot, 2520 Deming Blvd., Cheyenne, Wyo.

Ucolo Uranium Co., Salt Lake City, Utah
Sept. 13 (letter of notification) 2,800,000 shares of common stock (par one cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office**—906 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter**—Western Securities Corp., the same city.

United States Lithium Corp.
Sept. 9 (letter of notification) 2,990,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For expense incident to extraction operations. **Office**—1111 Walker Bank Building, Salt Lake City, Utah. **Underwriter**—Thornton D. Morris & Co., the same city.

Uranium Chief, Inc., Salt Lake City, Utah
Sept. 21 (letter of notification) 26,400,000 shares of common stock. **Price**—At par (one cent per share). **Proceeds**—For exploration and development expenses. **Office** — 323 East 2nd South, Salt Lake City, Utah. **Underwriter**—Coombs & Co., Ogden, Utah.

Uranium Corp. of Colorado
Sept. 23 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and development costs. **Office** — 129 East 60th St., New York, N. Y. **Underwriter**—None.

Urainbow, Inc., Salt Lake City, Utah
Aug. 31 (letter of notification) 2,000,000 shares of common stock (par two cents). **Price**—15 cents per share. **Proceeds** — For exploration and development expenses. **Office**—908 Kearns Bldg., Salt Lake City, Utah. **Underwriter**—Austin B. Smith Brokerage Co., the same city.

Uranium of Utah, Inc., Provo, Utah
Sept. 14 (letter of notification) 3,000,000 shares of common stock (par 1 cent). **Price** — 10 cents per share. **Proceeds**—For exploration and development costs. **Office** 227 N. University Ave., Provo, Utah. **Underwriter**—Bay Securities Corp., New York.

Utah Uranium Corp., Las Vegas, Nev.
Aug. 20 (letter of notification) 10,000,000 shares of capital stock (par 1 cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—1818 Beverly Way, Las Vegas, Nev. **Underwriter**—First Western Securities, same city.

Vendorlator Manufacturing Co., Fresno, Calif.
Sept. 27 filed $900,000 of 12-year 6% sinking fund debentures due Oct. 1, 1966 (with stock purchase warrants attached). **Price**—At par (each purchaser of a $1,000 debenture to receive a warrant to purchase 50 shares of common stock at $8 per share). **Proceeds**—To purchase plant equipment and for working capital. **Underwriters**—Lester, Ryons & Co., Los Angeles, Calif.; and Bailey & Co., Fresno, Calif.

● **Venezuelan Sulphur Corp. of America (10/15)**
Sept. 17 filed 1,000,000 shares of common stock (par 50 cents). **Price**—$3 per share. **Proceeds**—To pay obligations of Venezuela Sulphur Corp., C.A.; and for advances to latter for exploratory and geological surveys and related activities. **Underwriter**—Hunter Securities Corp., New York.

Vigorelli of Canada, Ltd. (Canada)
Aug. 9 (Regulation "D") 96,770 shares of 8% preferred stock (par $2) and 96,770 shares of common stock (par $1) in units of one share of each class. **Price**—$3.10 per unit. **Proceeds**—For exploration and development expenses. **Office**—1812 St. Catherine St. West, Montreal, Canada. **Underwriter**—B. Fennekohl & Co., New York.

Warren Corp., Tulsa, Okla.
Sept. 27 filed 200,000 shares of common stock (par $1). **Price**—$5.25 per share. **Proceeds**—To retire outstanding notes, purchase and develop additional leases and overriding royalties, etc. **Underwriter**—None.

Warren Oil & Uranium Mining Co., Inc., Denver, Colo.
Aug. 6 filed 65,000,000 shares of common stock (par one cent). **Price**—7½ cents per share. **Proceeds**—To purchase mining claims and exploratory equipment, and for exploration costs. **Underwriter**—Weber Investment Co., Salt Lake City, Utah.

★ **Washington Institute for Experimental Medicine, Inc.**
Sept. 30 (letter of notification) 500 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds** — For working capital and general corporate purposes. **Address**—RFD Herndon, Fairfax County, Va. **Underwriter**—None.

Washington Natural Gas Co., Clarksburg, Va.
Sept. 20 (letter of notification) 10,000 shares of common stock. **Price**—At the market (estimated at $1.37½ per share). **Proceeds**—To Elizabeth D. Hardman, the selling stockholder. **Underwriter**—Barrett Herrick & Co., Inc., New York.

★ **Welex Jet Services, Inc.**
Sept. 20 (letter of notification) 11,500 shares of common stock (par $1) to be offered for subscription by employees. **Price**—$15.50 per share. **Proceeds**—For working capital. **Underwriter**—None.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed $29,000,000 12-year 6% debentures due Dec. 15, 1964, and 580,000 shares of common stock (par 50 cents) to be offered in units of one $50 debenture and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—From sale of units and 1,125,000 additional shares of common stock and private sales of $55,000,000 first mortgage bonds to be used to build a 1,030 mile crude oil pipeline. **Underwriters** — White Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

West Coast Pipe Line Co., Dallas, Tex.
Nov. 20, 1952 filed 1,125,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to be used to build pipeline. **Underwriters**—White, Weld & Co. and Union Securities Corp., both of New York. **Offering**—Postponed indefinitely.

Western Central Petroleums, Inc., N. Y.
Sept. 16 (letter of notification) 133,333 shares of common stock (par 10 cents). **Price**—At market (estimated at 36½ cents). **Proceeds**—To certain selling stockholders. **Office** — 32 Broadway, New York. **Underwriter** — S. B. Cantor Co., New York.

Western Plains Oil & Gas Co.
May 24 filed 100,000 shares of common stock (par $1). **Price**—$4.75 per share. **Proceeds**—To redeem 1,250 outstanding preferred shares ($125,000), to repay bank loan, etc. ($2,500); for purchase or acquisition of additional mineral interests, leases and royalties in the United States and Canada and for other corporate purposes. **Office**—Glendive, Mont. **Underwriter**—Irving J. Rice & Co., St. Paul, Minn.

Wind River Uranium Co.
Sept. 15 (letter of notification) 9,965,000 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development costs. **Office**—65 East 4th South, Salt Lake City, Utah. **Underwriter** K. T. Hansen & Co., same city.

Wisconsin Michigan Power Co.
Sept. 29 filed $3,000,000 first mortgage bonds due 1984. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly).

Wisconsin Public Service Corp. (10/14)
Sept. 15 filed $12,500,000 first mortgage bonds due Oct. 1, 1984. **Proceeds**—To refund $8,000,000 4⅛% bonds presently outstanding and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Union Securities Corp. (jointly); White, Weld & Co.; Kidder, Peabody & Co.; Kuhn, Loeb & Co.; Dean Witter & Co.; The First Boston Corp. Previous common stock offer was underwritten by The First Boston Corp.; Merrill, Lynch, Pierce, Fenner & Beane; Robert W. Baird & Co., Inc.; and William Blair & Co. **Bids**—To be received on Oct. 14 up to 10 a.m. (CST) at 231 So. La Salle St., Chicago 4, Ill.

● **Woodbury (Conn.) Telephone Co. (10/15)**
Sept. 10 (letter of notification) 2,650 shares of common stock to be offered for subscription by stockholders of record Oct. 15, 1954 in the ratio of one new share for each share held; with rights to expire on Nov. 12. **Price**—At par ($25 per share). **Proceeds**—For construction program. **Underwriter**—None.

World Uranium Mining Corp.
July 21 (letter of notification) 9,996,000 shares of common stock (par one cent). **Price** — Three cents per share. **Proceeds**—For exploration and development expenses. **Office**—323 Newhouse bldg., Salt Lake City, Utah. **Underwriter**—P. G. Christopulos & Co., same city.

Wyoming Uranium Corp., Salt Lake City, Utah
Aug. 23 (letter of notification) 9,166,667 shares of common stock (par 1 cent). **Price**—Three cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—James E. Reed Co., Salt Lake City, Utah.

Wytex Oil Corp.
Sept. 17 (letter of notification) $290,000 of 10-year 5% sinking fund debentures (with warrants) to be offered to class A and for class B stockholders of record Aug. 29 on the basis of $500 of debentures for each 50 shares of stock held; rights to expire on Nov. 30. **Price**—At par. **Proceeds**—To reduce bank loans and for development of company's wells in Weston County, Wyo. **Office** — 100 State St., Albany 7, N. Y. **Underwriter**—None.

Zenith Uranium & Mining Corp.
July 12 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For mining operations. **Underwriter**—Sheehan & Co., Boston, Mass.

● **Zotox Pharmacal Co., Inc. (10/11-15)**
Sept. 24 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—122 Broad St., Stamford, Conn. **Underwriter**—Frederick H. Hatch & Co., Inc., New York.

Prospective Offerings

American Telephone & Telegraph Co.
Sept. 15 directors voted to make another stock offering to Bell System employees under the Employees' Stock Plan approved by the share owners in 1950. About one-half of the 3,000,000 shares authorized under the plan remain to be offered now. It is planned to send a prospectus describing the new offer to employees late in October. They will have until Dec. 15 to make their purchase selection. **Price**—The purchase price will be $20 per share less than the market price when payment is completed, but not more than $150 nor less than $100 per share. **Proceeds** — To be used for additions and improvements to Bell System.

● **Anglo California National Bank**
Oct. 6 this bank made an offering to stockholders of 262,500 additional shares of capital stock (par $20) on the basis of one new share for each four shares held Oct. 5; with rights to expire Oct. 27. **Price**—$45 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., San Francisco, Calif. and others.

Axe Atomic & Electronic Fund
Sept. 20 it was reported securities of this new closed-end fund will be soon offered through Axe Securities Corp., New York, N. Y.

Aztec Oil & Gas Co.
Sept. 27 it was announced company plans to offer stockholders the right to subscribe for 285,005 additional shares of common stock on theb asis of one new share for each seven shares held. **Proceeds**—To exercise an option to purchase certain oil and gas production and undeveloped leases from the Southern Union Gas Co., retire bank loans and increase working capital. **Underwriter**—None.

★ **Bangor & Aroostook RR.**
Oct. 5 it was reported company plans to issue and sell $2,850,000 of equipment trust certificates to be dated Nov. 1, 1954 and to mature annually through Nov. 1, 1969. Probable bidders: Halsey, Stuart & Co. Inc.; R. W. Pressprich & Co.; Salomon Bros. & Hutzler; Blair & Co. Incorporated; Kidder, Peabody & Co.

★ **Black Hills Power & Light Co.**
Sept. 28 it was reported company may issue and sell approximately $1,000,000 of new convertible preferred stock. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Dillon, Read & Co. Inc., New York. **Meeting**—Stockholders on Nov. 19 will vote on authorizing sale of not over $2,000,000 of preferred stock.

● **California Bank, Los Angeles, Calif.**
Sept. 28 stockholders of record Sept. 27 were given the right to subscribe on or before Oct. 27 for 200,000 additional shares of capital stock (par $12.50) on the basis of one new share for each four shares held. **Price**—$35 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif. and others.

Central & Southwest Corp.
Sept. 2 it was reported company plans issue and sale of between 500,000 to 600,000 additional shares of common stock, probably first to stockholders. **Underwriter**—May be determined by competitive bidding. Probable bidders; Blyth & Co., Inc. and Smith, Barney & Co. (jointly); The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers and Lazard Freres & Co. (jointly). **Offering**—Not expected until early in 1955.

● **Chesapeake & Ohio Ry. (11/9)**
Sept. 29 it was reported company plans to issue and sell $40,000,000 of new bonds. **Proceeds**—To refund its outstanding $37,851,000 3⅞% bonds and $2,441,000 4% bonds. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. **Bids**—Expected Nov. 9.

Chicago & Eastern Illinois RR.
Sept. 21 company filed an application with the ICC for authority to issue $15,350,000 of 5% income debentures due Jan. 1, 2054, to be offered in exchange, par for par, for the outstanding 383,751 shares of class A stock (par $40).

Consolidated Natural Gas Co.
Sept. 16 J. French Robinson, President, announced that stockholders on Dec. 2 will vote on authorizing additional shares of capital stock for an offering to stockholders planned for 1955. **Underwriter**—None.

Consolidated Uranium Mines, Inc.
July 23 stockholders authorized the issuance and sale of not to exceed $6,000,000 convertible debenture bonds in connection with the acquisition of Uranium Mines of America, Inc. stock. **Underwriter** — May be Tellier & Co., Jersey City, N. J.

Cortland Equipment Lessors, Inc.
Aug. 31 it was reported this corporation, a subsidiary of Safeway Stores, Inc., may sell notes and debentures totaling $60,000,000 to $70,000,000. **Proceeds**—To repay bank loans which are understood to amount to between $50,000,00 and $60,000,000 at the present time. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

Eastern Utilities Associates
Sept. 20 it was reported company plans issue and sale of $7,500,000 collateral trust bonds due 1984. **Proceeds**—To be used principally to refund $7,000,000 4¾% bonds now outstanding. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. **Bids**—Expected to be received sometime in November.

★ **First National Bank of Memphis (Tenn.)**
Oct. 5 stockholders of record that date were given the right to subscribe on or before Oct. 19 for 200,000 additional shares of capital stock (par $10). **Price**—$30 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane, New York; and Equitable Securities Corp., Nashville, Tenn.

General Telephone Co. of the Southwest
Aug. 25 stockholders approved an increase in the authorized preferred stock (par $20) from 400,000 to 700,000 shares and in the common stock from 500,000 to 1,000,000 shares. **Underwriters**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Georgia Gas Co.
Aug. 27 it was announced that this company, a subsidiary of United Cities Utilities Co., contemplates the issue and sale to residents of Georgia of $300,000 par value of preferred stock, subject to the approval of the Georgia P. S. Commission.

Gulf, Mobile & Ohio RR.
Aug. 23 it was reported company may consider the issuance of about $25,000,000 bonds later this year. **Proceeds**—To refund first refunding mortgage 4s and 3¾s due 1975 and 1969, respectively; collateral trust 3¾s due 1968; and New Orleans Great Northern 5s due 1983. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Blyth & Co., Inc. and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Shields & Co.

Hamilton National Bank, Washington, D. C.
Sept. 14 stockholders approved merger of this Bank and National Bank of Washington, effective Oct. 1, 1954, the consolidated Bank to be known as National Bank of Washington, which will have a capitalization of 410,000 shares of $10 par value each. These will be issued in exchange for present Hamilton stock on the basis of two shares for each Hamilton share held, and in exchange for stock of National Bank on a share-for-share basis. Johnston, Lemon & Co., Washington, D. C., is authorized to pay $55 per share for any stock of the consolidated company not issued in exchange.

Holly Corp., New York.
Sept. 9 S. B. Harris, Jr., President, stated that preliminary financing has been arranged to be followed by a public offering after which this corporation plans to distribute a part of its holdings of Holly Uranium Corp. stock to its stockholders.

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Household Finance Corp.
Aug. 27 it was announced preferred stockholders will vote Oct. 7 on increasing the authorized amount of preferred stock (par $100) from 312,000 shares to 592,000 shares. **Underwriters**—Lee, Higginson Corp. and Kidder, Peabody & Co., both of New York; and William Blair & Co., of Chicago and associates.

★ Illinois Central RR. (12/15)
Oct. 4 it was reported company plans to issue and sell $15,000,000 of sinking fund debentures due 1979. **Proceeds**—To redeem outstanding preferred stock and retire bank loans. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Harriman Ripley & Co. Inc. and Union Securities Corp. (jointly); Morgan Stanley & Co. **Bids**—Expected on Dec. 15.

Interstate Power Co.
Sept. 27 it was reported company is considering issuance and sale of 200,000 shares of cumulative preferred stock (par $50). **Proceeds** — To redeem $5,000,000 of 4.70% preferred stock presently outstanding, to repay $2,000,000of bank loans and for construction program. **Underwriter**—Last preferred stock financing was handled by Smith, Barney & Co. If through competitive bidding, probable bidders may include: Smith, Barney & Co.; Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (joinlty).

Kansas City Power & Light Co.
Sept. 15 it was announced that company may sell in the latter part of 1954 or early in 1955 $16,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co., (jointly); Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); White, Weld & Co. and Shields & Co. (jointly); Harriman Ripley & Co., Inc., Equitable Securities Corp.

Kansas City Southern Ry.
Sept. 20 it was reported company may issue and sell in November about $50,000,000 first mortgage bonds. **Proceeds**—To refund $38,345,000 of 4s due 1975 and $13,336,000 of 3⅝s due 1966. **Underwriter** — To be determined by Competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (with latter handling books); Kuhn, Loeb & Co., Ladenburg, Thalmann & Co. and Blyth & Co., Inc. (jointly).

● Kansas Power & Light Co.
Oct. 4, D. E. Ackers, President, announced that the company plans to sell approximately $8,000,000 of bonds in the next few weeks. **Proceeds**—To repay bank loans and for construction purposes. **Underwriter**—Previous bond sale was done privately through The First Boston Corp.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell $15,000,000 first mortgage bonds, series F. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. **Bids** — Expected to be received in October or November.

Kentucky Utilities Co.
June 21 it was reported company plans to issue and sell to its common stockholders some additional common stock, either on a 1-for-9 or an a 1-for-10 basis. At April 30, 1954, there were outstanding 2,286,784 shares. **Underwriters**—Previous common stock offering, in April, 1953, was underwritten by Blyth & Co., Inc. and J. J. B. Hilliard & Sons and associates.

Laclede Gas Co.
Aug. 6 it was reported company plans to issue and sell $20,000,000 first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Stone & Webster Securities Corp.; Lehman Brothers; Blair & Co., Inc. and Drexel & Co. (jointly). **Bids**—Expected in October.

Long Island Lighting Co.
April 20 it was announced company plans later in 1954 to issue $20,000,000 mortgage bonds. **Proceeds** — To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; W. C. Langley & Co.; Blyth & Co., Inc. and The First Boston Corp. (jointly); Smith Barney & Co.

Majestic Auto Club, Inc.
Aug. 25 it was announced company plans to offer 500,000 shares (par five cents) to the motorist and general public shortly after completion of the current offering of 100,000 shares to service station owners and operators. **Office**—Room 717, 141 Broadway, New York 6, N. Y.

Mead Corp.
Sept. 27 it was reported company may be considering additional financing—probably some convertible preferred stock. **Underwriters** — Previous financing was handled by Drexel & Co., Philadelphia, Pa., and Morgan Stanley & Co., New York.

Mexican Gulf Sulphur Co.
Aug. 30 it was reported company plans issue and sale of 200,000 additional shares of common stock. **Proceeds**—For capital expenditures and working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

National Bank of Washington
See Hamilton National Bank above.

National City Bank of New York
Sept. 20 stockholders approved a proposal to increase the capital and surplus of the company by $131,250,000 through the sale of 2,500,000 additional shares of capital stock (par $20) to stockholders by subscription on the basis of one new share for each three shares held as of Sept. 24; with rights to expire on Oct. 22. Subscription warrants were mailed on Sept. 30. **Price**—$52.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—The First Boston Corp. heads group.

● National Starch Products, Inc.
Sept. 28 stockholders approved an authorized issue of 40,000 shares of new prefererd stock (par $100), a part of which may be issued privately to finance a new midwestern plant to produce vinyl resins. **Underwriter**—F. Eberstadt & Co., Inc., New York, handled previous financing.

● New Orleans Public Service Inc. (12/14)
Oct. 1 it was announced company plans to offer for sale $6,000,000 of first mortgage bonds due 1984 in December of this year. **Proceeds**—For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Equitable Securities Corp.; Union Securities Corp. and Harriman Ripley & Co. Inc. (jointly); Lehman Brothers, Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; White, Weld & Co. **Registration**—About Nov. 5. **Bids**—Expected Dec. 14.

New York, New Haven & Hartford RR. (10/7)
Bids will be received by the company up to noon (EST) on Oct. 7 for the purchase from it of $2,595,000 equipment trust certificates to mature in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Pacific Power & Light Co.
Sept. 19 it was announced stockholders will vote Oct. 19 on a proposal to authorize 200,000 additional preferred stock of $100 par value, which are to be sold in series. **Proceeds**—For new construction.

Pacific Telephone & Telegraph Co. (11/16)
Sept. 2 the directors authorized the issue and sale of $50,000,000 of 35-year debentures to be dated Nov. 15, 1954. **Proceeds**—To redeem a like amount of 31-year 4% debentures due Sept. 15, 1984. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co., Lehman Brothers and Union Securities Corp. (jointly). **Bids**—Expected to be received at 195 Broadway, New York, N. Y., on Nov. 16.

★ Peninsular Telephone Co.
Sept. 28 it was reported stockholders on Oct. 20 will vote on increasing the authorized preferred stock from 600,000 shares to 1,000,000 shares and the authorized common stock from 1,500,000 to 2,000,000 shares. **Underwriters**—Last financing was handled by Morgan Stanley & Co. and Coggeshall & Hicks. Not imminent.

Penn-Texas Corp.
Sept. 26, L. D. Silberstein, President and Chairman of the Board, announced stockholders on Oct. 18 will vote on increasing the authorized capital stock (par $10) by 1,000,000 shares, of which approximately 220,000 shares are to be publicly offered. **Price**—From 15% to 25% below the price on the New York Stock Exchange at the time of offering. **Proceeds** — Of the approximately $3,000,000 which would be obtained, about $1,000,000 will be used for drilling, exploration and additional purchases under the corporation's uranium program; another $1,000,000 will be used to finance accounts receivable of a subsidiary and the remainder would be used to develop proven oil reserves, including an expanded drilling program.

Pennsylvania Company for Banking and Trusts, Philadelphia, Pa.
Aug. 24 it was announced stockholders will be offered the right to subscribe to 100,000 shares of common stock (par $10) on the basis of new new share for each 14 shares held. **Price**—To be named later. **Proceeds**—To increase surplus and capital accounts. **Underwriters**—Drexel & Co., Philadelphia, Pa.; and Merrill Lynch, Pierce, Fenner & Beane and Smith Barney & Co., of New York. **Meeting**—Stockholders are to vote Nov. 1 on approving new financing.

Pressed Steel Car Co., Inc.
Sept. 17 it was announced that arrangements have been made with Lehman Brothers, New York, for an immediate secondary offering of all or part of the $5,300,000 of convertible subordinated debentures due Oct. 1, 1969, which are to be issued in part payment of the total purchase price for all of the business, good will, properties and other assets of Clearing Machine Corp. The latter will liquidate and dissolve and the debentures distributed to Clearing stockholders, some of whom are making arrangements to sell the debentures.

Public Service Co. of Oklahoma
Aug. 28 it was reported that company may issue and sell 75,000 shares of new preferred stock (par $100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co. Inc. and Central Republic Co. Inc. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co.; Glore, Forgan & Co.

Public Service Co. of Oklahoma
Sept. 2 it was reported company may sell between $20,000,000 and $25,000,000 of first mortgage bonds in January. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Salomon Bros. & Hutzler; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Shields & Co.

Reaction Motors, Inc., Rockaway, N. J.
Aug. 7 it was reported company plans a small offering of additional capital stock (par $4) to its stockholders. Olin Mathieson Chemical Corp. owns 50% of the presently outstanding shares, which are being split-up on a two-for-one basis.

Resources of Canada Investment Fund, Ltd.
April 27 the SEC authorized the company to register as an investment concern and to make a public offering of securities in the United States.

Savage Industries, Inc., Phoenix, Ariz.
Aug. 9 it was announced company plans later this year to issue and sell an additional block of 75-cent cumulative convertible preferred stock (par $1), expected to gross around $250,000. **Proceeds**—For expansion and acquisitions. **Underwriter**—Probably Pacific Coast Securities Co., San Francisco, Calif.

Scott Paper Co.
April 27 stockholders approved proposals which increased the authorized common stock from 5,000,000 to 10,000,000 shares and the authorized indebtedness of the company from $25,000,000 to $50,000,000. The company has no specific financing program. **Underwriters**—Previous offering of $24,952,800 3% convertible debentures, in September, 1953, was underwritten by Drexel & Co., Smith, Barney & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Sierra Pacific Power Co. (11/9)
Sept. 7 it was announced company plans to issue and sell $4,000,000 first mortgage bonds. **Proceeds**—To redeem $1,500,000 of 3¾% bonds, to repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly); Kidder, Peabody & Co. **Registration**—Planned for Oct. 8. **Bids**—Expected about Nov. 9.

★ Standard Oil Co. (New Jersey)
Sept. 22 company announced that it proposes to file a registration statement with the SEC covering the offering of authorized but unissued shares of its $15 par value capital stock, which will be offered in exchange for stock of Humble Oil & Refining Co. on the basis of approximately nine Standard Oil shares for each 10 shares of Humble Oil stock. The offer will be subject to deposit of sufficient Humble Oil shares so that holdings will amount to at least 80% of the outstanding Humble Oil stock, of which Standard now owns 26,034,384 shares, or approximately 72%.

Transcontinental Gas Pipe Line Corp.
March 16 it was reported company plans later this year to do some permanent financing to repay temporary bank loans necessary to pay for new construction estimated to cost about $11,000,000 for 1954. **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

United Dye & Chemical Corp.
Sept. 8 directors authorized an offering to common stockholders of additional common stock at the rate of one new share for each five shares held (with an oversubscription privilege). About 150,000 shares are presently outstanding. **Price**—$9 per share. **Underwriter**—None.

Utah & Idaho Uranium, Inc., Kellogg, Ida.
Sept. 7 Lester S. Harrison, President, announced that the company contemplates obtaining funds to initiate its uranium mining operations in Utah by the sale to the public of its unissued treasury stock. This financing will follow completion of the company's current drilling program.

Virginia Electric & Power Co.
Aug. 20 directors approved in principle a plan to sell 600,000 additional shares of common stock this Fall. They will be offered to common stockholders at the rate of one new share for each 10 shares held on the record date, which is presently expected to be in November. **Proceeds** — To finance construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Beane; Stone & Webster Securities Corp.

Western Pacific RR. Co.
Sept. 8, it was announced that directors have approved the issue and sale about Jan. 1, 1955 of $7,000,000 of first mortgage bonds, series B. **Proceeds** — To reimburse company for capital expenditures already made and for future improvements. **Underwriters**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly).

Our Reporter's Report

Underwriters still appear to be encountering difficulty in bidding for new material on a basis that will permit pricing of such offerings at levels attractive to the investor.

The new issue market, it is quite evident, still lacks "punch" as one observer puts it. Everyone seems given to "fishing" in an effort to see just what the trade will take in the way of yield. And thus far they have not been able to hit the jack-pot.

The disposition recently has been to bid for new issues in a manner that will permit reoffering of say a Double A bond to yield about 3.05%. But buyers do not appear to be greatly interested on that basis.

It was observed that some firms may feel a bit restricted in the operations due to being locked up in a couple of major "standby" operations namely the National City Bank's offering to stockholders, and Georgia Power Co.'s preferred exchange undertaking.

The latter project has run its course with holders of the outstanding $6 preferred stock turning in 411,655 shares of that issue for the new $4.60 preferred. This represented a 94.9% acceptance, and left the "standby" bankers with only 22,214 shares to take up, the latter having been sold for group account

Within a fortnight the National City offering will have been completed, and, with their capital thus "freed" up once more, underwriters may feel a bit more at liberty in looking over new material.

Getting a Bit Fidgety

From reports filtering through from some of the group meetings prior to bidding for a given issue, it appears that some people in the business are getting a little restiess.

In the case of one "Street-Size" issue up for bids this week, it developed that some of those attending the meeting to set up the bid and the projected reoffering price were strongly disposed to push up the bid and "shave" the offering price.

Had such suggestions been adopted, bankers it was calculated would have found themselves working for about $2 or slightly less, a bond. Well, the group which finally captured the issue, had an indicated spread of about $5.20 per bond in which to work.

The Exception

Today brings one of those occasions that are rare as the total eclipse. American Telephone & Telegraph Co., is foregoing its right to subscribe to new stock being offered by Southern New England Telephone Co., one of its affiliates.

The last time the parent company failed to exercise such "rights" was in 1946. In this instance it has invited bankers to submit bids, to be opened today, for its 1,173,696 "rights" which entitle the holder to subscribe for new shares in the ratio of one new for each nine held.

When the offering was announced the stock was selling around 39½. Since then the dividend has been raised to $2 annually from $1.80 but the stock has settled down to around 36¼ giving the "rights" an indicated worth of about ⅝s. The rights expire Oct. 29, making it a bit of a pull for the bankers, but they are not expected to be nervous on that score.

Continental Oil Files

While distributing groups labored with the task of marketing this week's corporate emissions Continental Oil Co., in keeping with its recent announcement, proceeded to register for its huge undertaking.

The company filed to cover a proposed offering of $100,000,000 of sinking fund debentures due to mature Nov. 1, 1984. Part of the proceeds would be applied to retirement of $45,000,000 of 3¼% term loan notes held by banks and the balance used for general corporate purposes.

This large issue, marking the first public financing by the company since 1938, is the type which bankers really like to work on, since it is to be a negotiated deal.

Strange Reasoning!

"While the American economy has been shrinking, the Soviet economy has been growing fast, which is one of the most important facts in the world situation. In the long view it is probably a more important fact than the development of Soviet military power. To many people in the underdeveloped countries of the world it is the single most impressive fact about the Communist world.

Adlai E. Stevenson

"Whether we like it or not, the rest of the world makes comparisons between the United States and the Soviet Union. And while most of the non-Communist countries admire our free institutions, some people wonder whether freedom is a luxury beyond their means. If they feel compelled to choose between freedom and economic development, relief from want and misery, many will choose economic development. Too many of us think of the threat of world Communism only as a military threat. It is much more than that.

"It also challenges us where we have felt most confident of the superiority of free institutions, namely, in the economic sphere. This is a challenge which we must meet and which can be met only by a healthy economy here and healthy economies among our friends and allies through expanding trade and investment."—Adlai E. Stevenson.

Of course the American economy has not in any real sense been "shrinking," and, of course, freedom is not a burden but a means of economic achievement.

Salomon Bros. Offer Southern Pacific Ctfs.

Salomon Bros. & Hutzler and associates are offering $8,505,000 Southern Pacific Co. 2.58% equipment trust certificates, series OO, maturing annually Sept. 1, 1955 to 1969, inclusive.

The certificates are priced to yield from 1.30% to 2.85%, according to maturity. Issuance of the certificates is subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by the following new standard-gauge railroad equipment estimated to cost not less than $11,340,000: six Diesel freight 1,750 hp. locomotives; two Diesel passenger 2,400 hp. locomotives; 655 50-ton automobile cars; 105 50-ton box cars, and 10 lightweight passenger train chair cars.

Associated with Salomon Bros. & Hutzler in the offering are: Drexel & Co.; Union Securities Corp., and Stroud & Co. Inc.

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Observations . . .

Bank and Fund parley in Washington last week. It will be recalled that this plan for relaxing the restrictions on exporting capital has been on the World Bank's agenda for years; blocked mainly, although unofficially, by the United States Treasury's negative attitude, mainly on the ground that in view of existing institutions, such as the Export-Import Bank, it is superfluous at the present time.

Affiliated with the World Bank and using its know-how and experience, this institution would be used to avoid the World Bank's basic requirement of a local government's guaranty on its loans—this entity projected thus to make loans and equity capital available to private enterprises. Its own capital to the tune of $50-$100 million, will be subscribed by debenture stock or equity capital or both; and will be used to make loans and equity capital available to private enterprise.

While the fruition of the IFC project is still something for the future, some of the ground has undoubtedly been made up as a result of its vociferous boosting at the Bank and Fund meetings, notably by Cuba's Machado, eloquently representing the Latin-American "underdeveloped" bloc. Objecting to the present government-guaranty provision as nettlesome to private economies, he asked "where would General Motors, duPont, *et al.* be if a Congressional Act would have been necessary at every instance of their borrowing?"

A Welcome Note of Realism

In evaluating the possible results of these major developments, the facts must be weighed realistically. As Brazil's newly-appointed Minister of Finance Eugenio Gudin observed in his refreshingly sophisticated and witty talk at last week's World Bank panel discussion of the question, "the subject [of international capital and international investments], has been the object of so many reports, especially by the United Nations, that one is perhaps somewhat diffident in discussing it with the idea of performing something useful.

"If there is any advantage in discussing it, it must be done with entire impartiality. It is a subject that must be approached on the lines of the great French writer, Renan, who wrote, 'I write for those who are seeking for truth.' It must be done with complete impartiality, with no passion. Otherwise it becomes useless."

Whereupon with exceptional consistency and intellectual integrity he cites certain ways in which his underdeveloped fellow-countries themselves are to blame, including notably the upsurge of nationalism, and the unceasing threat of expropriation of foreigners' private property without compensation. The next "plague" he lists is inflation which disequilibriates the balance of payments. As our Brazilian finance leader remarked, "Inflation is incompatible with a regular flow of foreign capital because of resulting balance of payments difficulties."

He cited America's relative indifference to the importance of international trade with neglect of what he calls Great Britain's "multiplier"; by which term he categorizes the advantages of employment, development of markets, the earning of insurance and freight commissions accompanying loans to an underdeveloped country. He strongly urged the underdeveloped countries to take very great and quick steps to rid themselves of these twin "plagues" of inflation and nationalism—an attitude eliciting the epithet "Adam Smith" from discomfited United Nations observers.

Not Philanthropy

And, as Treasury Secretary Humphrey also pointed out on the Washington panel, "Private investment is not made for philanthropic reasons." And in this vein he realistically cited the attractive yields readily available here on the liquid issues of the listed invulnerable American corporations.

He followed with a reminder that the behavior of the local citizen is the important bellwether to the potential foreign investor, and that this constitutes a real flag of invitation or of warning. As he points out, how can a country hope to attract foreign investors if its own nationals are seeking shelter for their savings abroad?

Another deterrent in a realistic world is the tax factor, which cries out for reform. With double taxation and contingent emasculation of profits—with a heads-you-win tails-I-lose status imposed, the investor surely will not hungrily come in.

The elements of threat still hanging over the foreign investor even after the recent liberalization of local investment laws, has been depicted in detail by this writer. As we observed on a recent on-the-spot investigation of this situation in the Middle and Near East, even where the lid has been lifted on withdrawal political factors—including the possibility of subsequent back-tracking in the statutes—creates justifiable doubt.

Possibly it is the fear of political instability which now explains our complained-of stinginess toward Pakistan development viz-a-viz our relative liberality to India.

* * *

Recognizing these realistic drawbacks and threats still existing in a realistic world, it must be appreciated that even the present fanfare may merely draw forth a trickle rather than the needed torrent of across-the-seas capital investing!

Washington... And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—There is a lot more than routine news behind the apparently routine announcement of the publication of a new government pamphlet.

The pamphlet is entitled "How Localities Can Develop a Workable Program of Urban Renewal." The author is the Housing and Home Finance Agency, Washington 25, D. C., and the pamphlet can be obtained by writing a request for one to the HHFA Administrator. For reasons that may become apparent, this pamphlet contains information that should be intimately familiar to any house which handles or plans to handle not merely public housing authority bonds, but prospective later issues of municipals connected with housing or urban renewal, or even would be of interest to institutions placing large-scale mortgages under circumstances affected by the new Housing Act of 1954.

For hereafter, under the Housing Act of 1954, the Government of the United States, through the HHFA, is going to have a whale of a lot to say about the future of urban development. At the very least the government has a large veto over all future municipal development.

If hereafter a city doesn't plan its future development in a manner which brings smiles to the faces of officials of the Housing and Home Finance Agency, then a city loses:

(1) Access to future subsidized "low rent" housing.

(2) Special FHA insurance on mortgages made to finance projects for the renewal of deteriorating neighborhoods, or to finance the housing of families displaced by municipal action.

(3) Federal loans and capital grants for future slum clearance and urban renewal projects.

(4) This is not listed in the pamphlet, because it has not yet, in governmentese, been "finalized," but there is in prospect the polishing up of a very potent fiscal gadget which will give the Federal Government enormous leverage in impressing its ideas about city planning upon the city fathers of many municipalities.

Do As We Say

As the release announcing the pamphlet explained:

"The new law provides that none of these aids can be made available unless the community first presents to the Administrator a workable plan to eliminate slums and prevent their future development, and the Administrator determines that such programs meet the requirements of the law."

Municipalities must hereafter have in effect or commit themselves to have adequate health and other building codes, they must devise comprehensive plans for community development, prepare analyses of blight and causes of blight in their neighborhoods, have established administrative organizations for local housing suitable to HHFA, assure HHFA of their financial capacities to live up to their responsibilities to the HHFA, undertake to house displaced families, and to be sure to include minority groups.

Evolution of HHFA

When the first major slum clearance and public housing act was passed in 1949, it was represented, as it were, as mere manna from the Federal fiscal heaven to help local city governments to achieve desirable objectives. It took only from 1949 to 1954 for the thing to develop into a scheme whereby the Federal Government gets, if not power over all city planning, at least the power to work its will or withhold funds, grants, loans, insurance, and other benefits to entire communities which might prove to be recalcitrant.

In 1956 a full-fledged drive will be under way for the appropriating of a few billions to merely aid localities to construct school buildings to relieve overcrowding of schools. At first it will also be asserted that what is aimed at is not Federal control, but mere beneficent aid.

Rent Control and Housing "Scandals"

One of the fascinating things about this town is the short memories so many people in high places have of events of less than a decade ago. An instance is the virtually complete ignoring of the influence of rent control on the so-called housing "scandals" which the Administration has been airing.

Probably the most spectacular phase of these "scandals" relates to the capacity of the more than efficient builder (if perhaps also the more than clever one) to build a house for less money than a "typical" war and postwar 608 rental housing project cost, and come out with some cash on the barrel-head. This is the heinous "mortgaging out" which has upset the righteous consciences of the Eisenhower Administration.

However, to builders, economists, and even newspaper correspondents who followed the subject of housing in the postwar era, one of the things taken for granted was that in view of rent control, it was virtually an impossibility to entice any prudent investor to put his own money into apartment houses, except possibly the luxury types.

When rent control was slapped on during the war, in general OPA followed the rule that whatever an apartment rented for in the prewar period it must rent for during the war period. To be sure, regulations provided for slow, painful, exasperating procedures whereby owners of multi-family projects could, by proving higher maintenance costs, eventually get permission to raise rents.

In the postwar era rent control generally was made inapplicable to new construction. However, most new construction was undertaken with the backing of FHA insurance, and FHA itself, as a condition to underwriting a project, imposed a form of rent control of its own.

Most housing officials will admit privately, if not for the record, that rent control practically destroyed the business of buying a house to rent to others as an investment. When a person whose thrift took the direction of buying a house to put out at rent found rent ceilings imposed at less than enough to return maintenance, interest, and amortization, he simply sold the house at the inflated price—a practice made easier with easy mortgage money, and got out.

Apartment Owners "Stuck"

Not so the owners of apartment houses. The only persons to whom they could sell an apartment house that wasn't making any money was another prospective investor. And another prospective investor, if he had any common sense, was not going to buy for the reason that the building carried a level of rents which didn't make the thing look particularly good.

In fact, FHA officials at the time admitted to this correspondent that something sweet and profitable like easy mortgage credit, with Uncle Sammy taking all the capital risk, was about the only way construction of multi-family housing could get going in any volume.

Yet strangely, neither the building industry under attack by the Eisenhower Administration, nor the Administration itself, has ever admitted that the ever-present fear of rent controls was always in the background of the whole situation.

In fact, it was not until 1953 when the conservative Republicans, without the backing of the White House, defeated for the time being the prospect that rent control might again be revived. Standby controls went down to defeat only last year.

So the government "solved" the problem of high rents by rent control. This created a new problem, an absence of money for apartment house construction, which in turn was solved by "easy money" which in turn generated alleged malpractices. The new solution is to use words against the malpractices and give more of easy money.

Administration Shows It Opposes Bigness

In an election year any Administration must take certain positions and impress the people of its firm stand for those positions. This does not merely relate to mother love, God, and country. It relates to such questions as being opposed to big monopolies.

So when Herbert Brownell, Jr., the Attorney General, publicly disapproved of the proposed merger between Bethlehem and Youngstown Sheet & Tube, he probably incidentally succeeded in establishing a position considered by most Administrations as necessary on the eve of elections—the opposition to big business.

It may be small consolation to the proponents of the merger between Bethlehem and Youngstown Sheet & Tube, but the Administration **could** have made it OK with the voters on the monopoly question by a much uglier route. It could, for instance, have about now launched a very large suit against a major American company, or a series of suits, designed to impress the voters that the Administration is on the right side of this question.

For such suits, often not prosecuted to the end, and sometimes most poorly founded, have been the rule for the last couple of decades.

This is not to predict, of course, that the Administration plans no shenanigan suits of this character. However, as business observers view it, the Eisenhower Administration has shown considerable courage against ever-present threats of demagogy, in generally avoiding attacking bigness as such or mergers.

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"It's a king size ash tray—present to me from the cleaning woman!"

Business Man's Bookshelf.

Fair Competition: The Law and Economics of Antitrust Policy—Joel B. Dirlam and Alfred E. Kahn—Cornell University Press, 124 Roberts Place, Ithaca, N. Y. (cloth), $4.50.

France Moves Forward: The story of economic and technical progress—Service Press and Information Service of the French Embassy, 972 Fifth Avenue, New York 21, N. Y. (paper).

Industrial Voyage—Autobiograph—P. W. Litchfield — Doubleday & Co., Inc., 575 Madison Ave., New York 22, N. Y. (cloth), $4.50.

Making of Steel, The—Illustrated brochure — American Iron and Steel Institute, 350 Fifth Avenue, New York 1, N. Y. (paper).

Public School Financing 1930-1954—Tax Foundation, Inc., 30 Rockefeller Plaza, New York 20, N. Y. (paper).

Stock Exchange (London, Eng.) Official Year-Book, Volume 2—Thomas Skinner & Co., Ltd., Gresham House, Old Broad Street, London E. C. S., England, and 111 Broadway, New York 6, N. Y. (cloth), $33 (two volumes).

Survey of United States International Finance 1953—Princeton University Press, Princeton, N. J. (paper), $2.75.

Theory of Fiscal Economics—Earl R. Rolph—University of California Press, Berkeley 4, Calif. (cloth), $4.50.

Truth About Greece — National Council for Public Enlightenment, 4 Alex. Soutsou, Athens, Greece (paper).

Your Future in Financing Higher Education—An address by Wilson M. Compton—Council for Financial Aid to Education, Inc., 6 East 45th St., New York 17, N. Y. (paper).